

EUROCASH GROUP
SEPARATE ANNUAL REPORT
FOR THE 2013



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LETTER FROM THE PRESIDENT

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.

1. Summary of Eurocash Operations in 2013

Eurocash Sales in 2013 reached PLN 7 460.85 million , EBITDA amounted to PLN 183.98 million, net profit of PLN 125.41 million. In contrast, for the year ended 31 December 2012 Eurocash achieved sales revenues of PLN 6 324.81 million, EBITDA of PLN 159.86 million, and a net profit of PLN 145.21 million. There are no significant risks in the current and projected financial situation of Eurocash S.A.

Table 1. Eurocash: Summary of 2013 Financial Performance

mIn PLN	Change		
	2013	2012	2013/2012
Sales revenues (traded goods, materials)	7 460.85	6 324.81	17.96%
EBITDA	183.98	159.86	15.08%
<i>(EBITDA margin %)</i>	2.47%	2.53%	-0.06 p.p.
EBIT	125.41	108.03	16.09%
<i>(EBIT margin %)</i>	1.68%	1.71%	-0.03 p.p.
Net Income	90.92	145.21	-25.81%
<i>Net profitability %</i>	1.22%	2.30%	-37.39%

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 wholesales of Delikatesy Centrum franchise stores went up by 1.6%. Retail sales noted by Delikatesy Centrum franchise stores (like-for-like) were up by 1.4% in 2013. External sales of Eurocash Gastronomica format (including Pol Cater) were disclosed at PLN 614.3 million, representing an decrease of -12.48% year on year.

2. Eurocash Group

The Eurocash Group is one of the largest groups in Poland in terms of sales values and the number of outlets involved in the distribution of food products, household chemicals, alcohol, and tobacco products (i.e. fast moving consumer goods – FMCG.) Through a range of distribution formats, the Eurocash Group focuses its business activities on the wholesale distribution of products to customers across all significant traditional wholesale market segments, in particular, to traditional retail stores throughout Poland and to the market segment of petrol stations, restaurants, and hotels.

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



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.



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



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



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



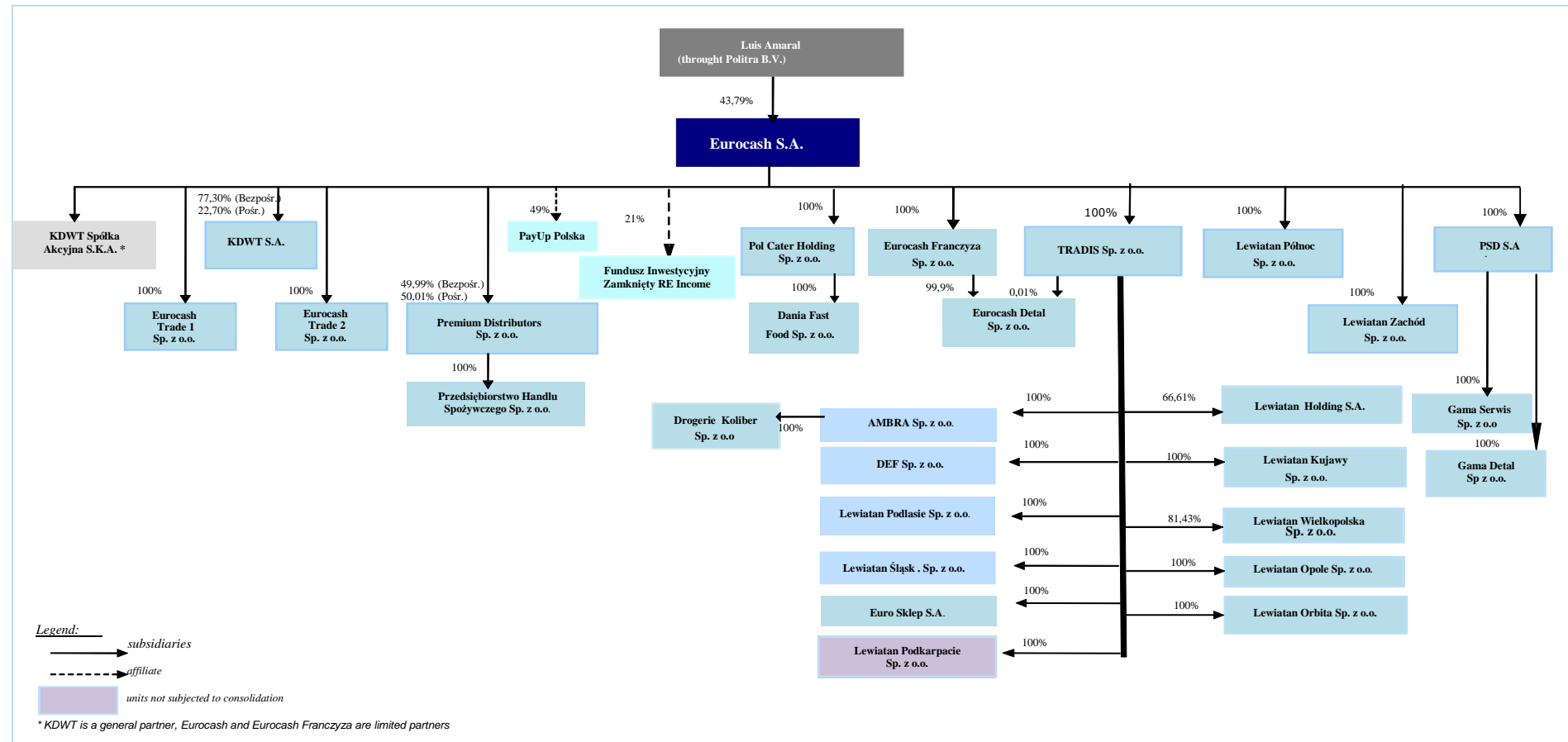
Grupa Dystrybucyjna Tradis the biggest polish nationwide distributor of FMCG providing trade of products with service to the client with the broad range of assortment. To the Group belong over 4 000 retail franchise and partner stores under brands: Lewiatan, Groszek, Euro Sklep, Gama.



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.

2.1 Eurocash Group: Capital and Organizational Links

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



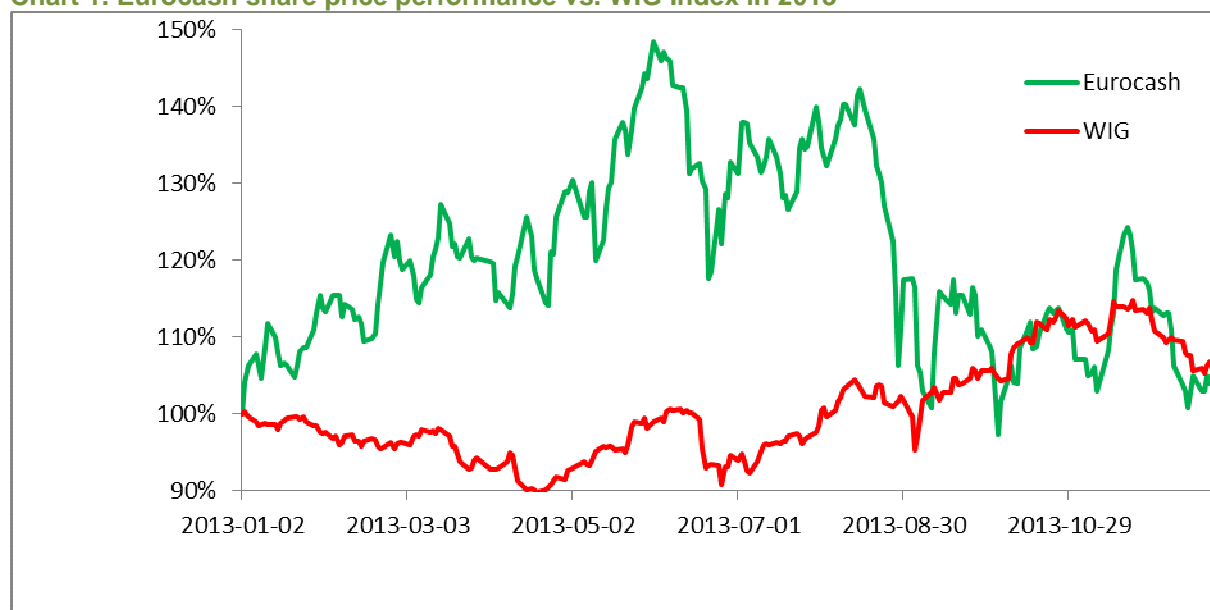
Luis Amaral is the main shareholder of Eurocash (directly and indirectly through Politra B.V.), with the shareholding of 43,79% as at 31.12.2013. Luis Amaral serves as President of the Management Board. Detailed information on the Eurocash Group's organizational structure and a specification of entities under consolidation may be found in Supplementary Information to the consolidated financial statements, point 1.7.

2.2 Eurocash Listing on Warsaw Stock Exchange in 2013¹

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 15th 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%. 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 1. Eurocash share price performance vs. WIG Index in 2013



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.

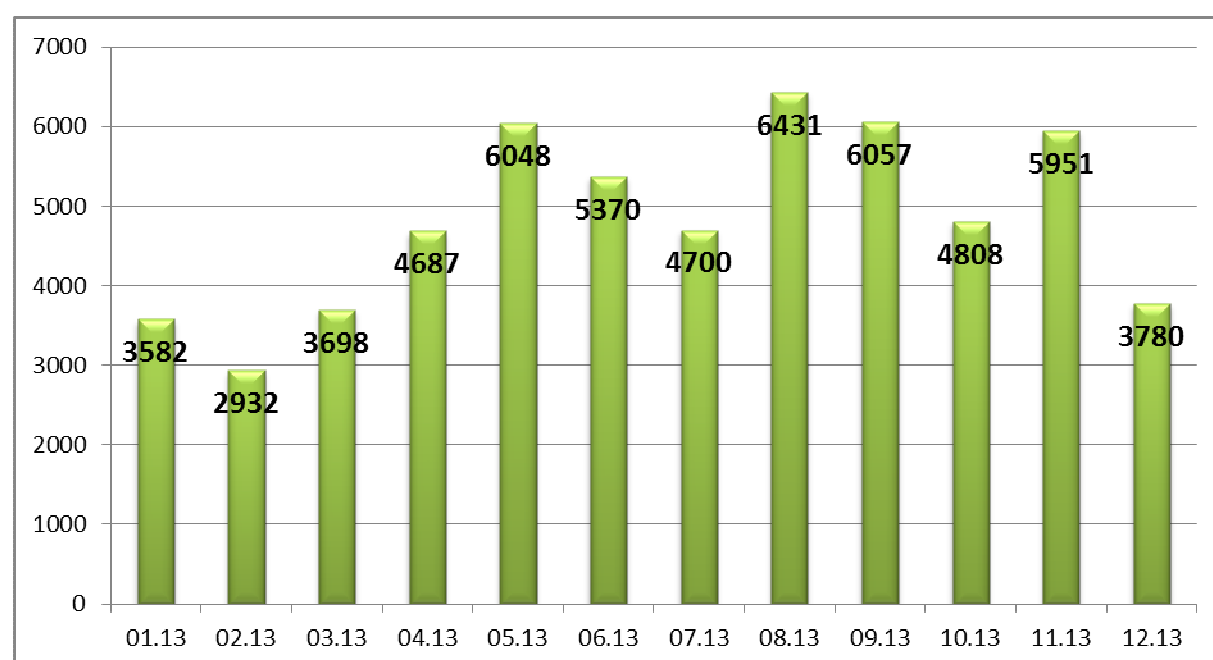
The average number of Eurocash shares traded daily in 2013 was 449 026. The table 2 presents the key share quotation data of the Company on the Warsaw Stock Exchange between 2011-2013. In 2013, the total trading volume of Eurocash shares was PLN 57.6. (41.6% of the Company's share capital). The chart 2 presents monthly trade volume in 2013.

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

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

	Unit	2011	2012	2013
Number of shares issued	million	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	'000	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 2. Monthly trade volume in 2013

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

Table 3. Capital market ratios

		2011	2012	2013
EPS (PLN)	Profit for the period/number of shares	0.47	1.05	0.66
P/E	Price per share/earnings per share	60.34	41.52	72.61
MC/S	Market capitalisation/revenues from sales	0.71	0.95	0.71
P/BV	Price per share/book value per share	11.28	12.63	14.77

3. Eurocash Business Overview

3.1 Market Environment

Due to the fact that the Group does business in Poland, the local macroeconomic environment has had and will have a significant impact on 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 of domestic demand. Likewise, they also indirectly affect the Group's sales revenues.

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

Table 4. 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

Source: Central Statistical Office

* Preliminary data

** As at year end

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

In 2013, the fastest growing sector of the economy was 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% in 2012.

Food prices in 2013 increased by 2.2% (against 4.3% in 2012). Prices of soft drinks also increased by 0.3%, following 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 excise duty increases in early 2013.

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

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

General information

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

According to GfK Polonia Sp. z o.o., in 2013 the Polish FMCG market amounted to PLN 222 billion, which represents an increase of 1.5% compared to 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 5. Eurocash Group: Wholesale distribution of FMCG Products in Poland

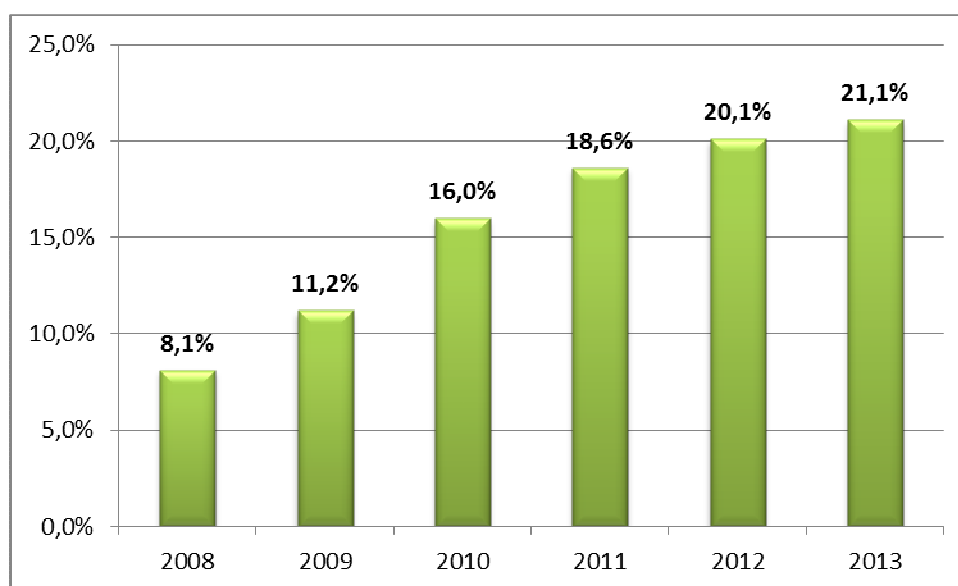
PLN billion	2012	Change %	2011	Change %	2009
Food and non-alcoholic beverages	121.3	1.3	119.7	10.4	108.4
Alcoholic beverages	24.8	-9.8	27.5	8.7	25.3
Total	146.1	-0.74	147.2	10.1	133.7

Source: Central Statistical Office

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).

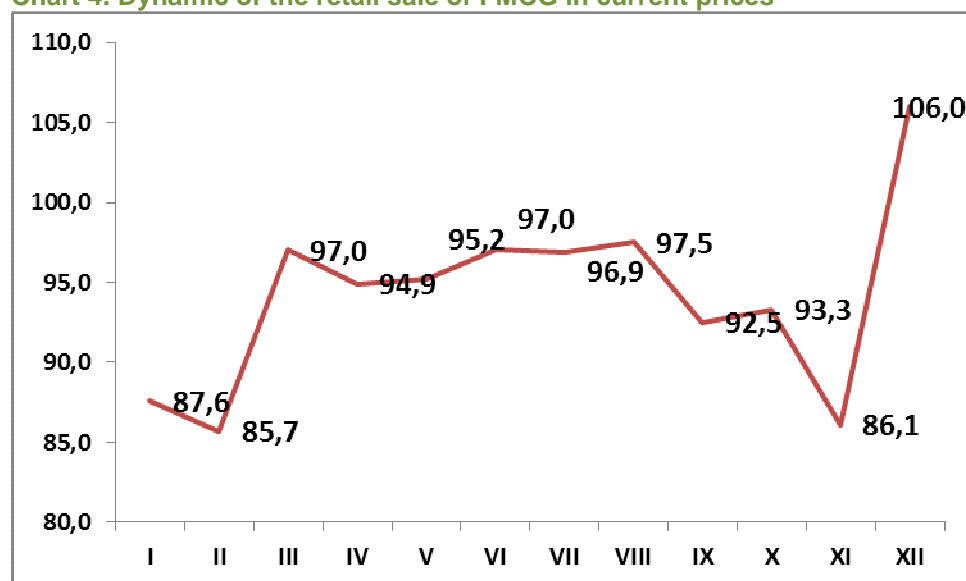
In 2013, Eurocash Group represented a 21.1% share in the wholesale market of FMCG products, which was a one percent increase on the previous year.

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

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.

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. In 2013, the share of these products accounted for approximately 94.1% of the total sales figure against 92.3% noted in 2012. The tobacco products, pre-paid top ups, and phone cards - with the share of 0.2% in 2013 against 3% noted in 2012. The share of other non-food products (including cosmetics, household chemicals, OTC drugs, and others) accounted for 5.28% in 2012 against 4.7% noted in 2012.

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

Table 6. Sales Mix of Eurocash in 2013 and 2012 by Key Categories

	2013		2012	
	Amount	% share	Amount	% share
	<i>PLN million</i>	<i>%</i>	<i>PLN million</i>	<i>%</i>
Food and beverages	7 020.35	94.10	5 838.16	92.3
Tobacco and mobile phone pre-paid cards and top-ups	46.23	0.62	191.87	3
Others*	394.23	5.28	294.77	4.7
Total sales revenues	7 460.85	100.0	6 324.81	100.0

Source: Eurocash

* Mainly chemical articles

Chart 5. Sales of goods mix of Eurocash 2013

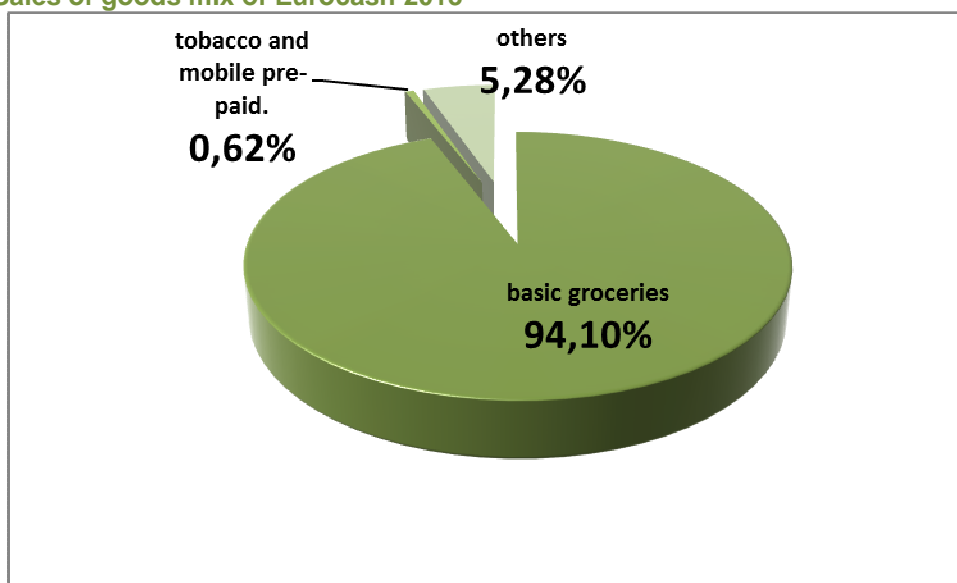
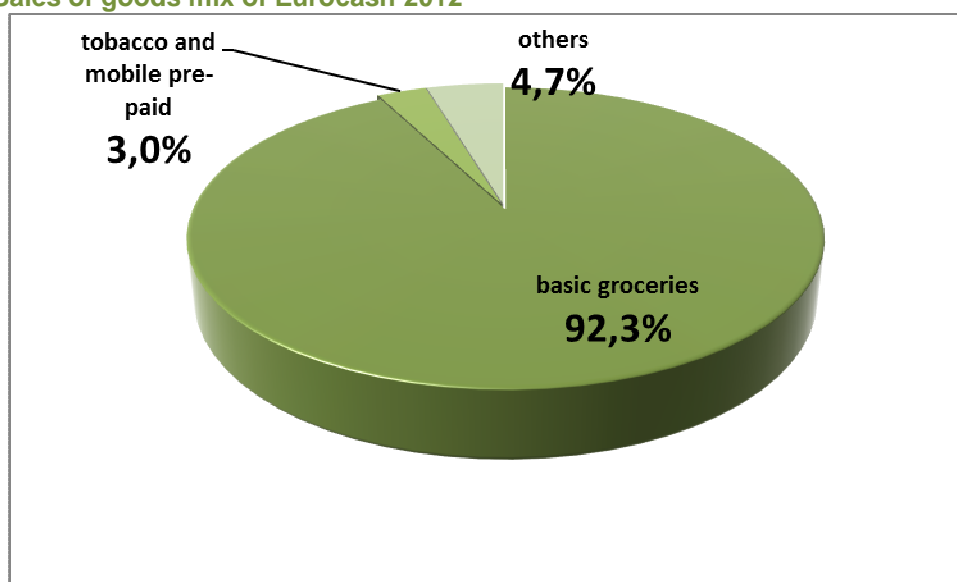


Chart 6. Sales of goods mix of Eurocash 2012



3.3 Suppliers

Due to the range of products offered by Eurocash and geographically diverse sales, key suppliers of the company are numerous and as at 31 December 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 Eurocash primarily include alcoholic beverages producers, i.e. Kompania Piwowarska, Grupa Żywiec, and the CEDC Group.

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

3.4 Customers

Eurocash offers its customers a range of cooperation options through specific distribution formats:

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

Due to the large dispersion of the sale, none of the customers of the Eurocash Group reach 10% of the Group's sales revenue Eurocash total.

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.

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

Table 7. Eurocash: Number of Cash & Carry warehouses, Delikatesy Centrum, 'abc' store network

	As at 31 December				Change	Change	Change
	2013	2012	2011	2010	2012/2011	2011/2010	2010/2009
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

Source: Eurocash

*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

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 8. 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
			10	Relocation of Tradis to EC
	2	Number of closed Tradis warehouses	2	

Table 9. 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
			17	Relocation of Tradis to EC
	4	Number of closed Tradis warehouses	4	

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

4. Eurocash Development Prospects

4.1 Eurocash Development Strategy

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

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

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

Strategic goals of the Eurocash are as follows:

- satisfy the needs of the Company's customers across key product groups through a range of distribution formats and forms of cooperation as well as by ensuring that customers receive an expected service quality

- create a permanent competitive advantage for Eurocash 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 Eurocash also assumes further organic growth across every distribution format as well as the continuation of takeovers of other wholesalers and franchise networks. Transactions concerning acquisitions of other entities allow to generate scale economies relatively fast, which translates into the possibility for Eurocash to offer its customers (independent retail trade) better conditions of goods procurement, which should also help increase the Company's competitiveness and enhance its market position.

4.2 Factors impacting Development of Eurocash

External Factors

Growth in the FMCG market and changes in market structure

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

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 results of Eurocash.

Payroll costs

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

Internal Factors

New business formats

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

Organic growth

Management of the Eurocash expects that during 2014:

- 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's Premium Distributors Ltd.. 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.

4.3 Risks and Threats

Financial risks are discussed in Note 35 to the separate financial statements for 2013, which constitute a part of the Eurocash annual report for 2013. Other significant risk factors related to the operations of Eurocash are presented below.

External Factors

Macroeconomic situation. Purchasing power of the population

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

Structure of FMCG retail distribution market in Poland

In 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 business.

Structure of the traditional FMCG distribution channel. Competition

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

Internal Factors

IT systems

An efficient, 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 Company's business.

New investments

Eurocash wishes to be an active player in the process of market consolidation by way of acquiring FMCG warehouses. While taking over other enterprises, the Company faces numerous material risks

connected to integration, achievement of synergies planned, or an inadequate assessment of the market potential.

Suppliers

Due to the range of products offered by Eurocash and geographically diverse sales, key suppliers of the Company are numerous and as at 31 December 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 Company's operations does not depend on suppliers, as a result of which the risk related to contract termination or adverse changes in contractual terms could have a negative effect on business operations of Eurocash and its financial performance is limited.

4.4 Note on seasonality

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

5. Management Discussion of Eurocash Financial Performance for 2013

5.1 Principles applied in the preparation of annual consolidated financial statements

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

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

5.2 Eurocash: Financial and Operational Highlights

During 2013 separate sales of Eurocash S.A. reached PLN 7 460.85 million, EBITDA was noted at PLN 183.98 million and net profit was noted at PLN 90.92 million.

Table 10. Eurocash: Summary of 2013 Financial Performance

<i>mln PLN</i>	Change		
	2013	2012	2013/2012
Sales revenues (traded goods. materials)	7 460.85	6 324.81	17.96%
EBITDA	183.98	159.86	15.08%
(EBIT margin %)	2.47%	2.53%	-0.06 p.p.
EBIT	125.41	108.03	16.09%
(EBIT margin %)	1.68%	1.71%	-0.03 p.p.
Net Income	90.92	145.21	-25.81%
(Net profitability %)	1.22%	2.30%	-37.39%

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 wholesales od Delikatesy Centrum franchise stores went up by 1,6%. Retail sales noted by Delikatesy Centrum franchise stores (per constant number of outlets) were up by 1.4% in 2013. External sales of Eurocash Gastronomia format (including Pol Cater) were disclosed at PLN 614.3 million, representing a decrease of -12.48% year on year.

Cash&Carry Warehouses

- 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%.

„Delikatesy Centrum”

- 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.

Eurocash Gastronomía:

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

Premium Distributors

- On 1 October 2013 the acquisition by the company Eurocash SA from Premium Distributors Ltd. company. 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.
- Sales to external customers realized by Premium Distributors in the period from 01.10.2013 - 31.12.2013 amounted to PLN 549.3 m and increased by 0.6% compared to the 4th quarter of

2012

- In 2013, sales to external customers amounted to PLN 1 891.5 million, and fell by 3.09% y/y
- Premium Distributors Sales decreased primarily due to the transfer to Tradis in 2013, the sales of the network of petrol stations

5.3 Profit and Loss Account

Sales Revenues

In 2013, separate sales revenues earned by the Eurocash S.A. increased by 17.96%, disclosing the figure of PLN 7 460.85 m. The main reason for increase in sales growth was a large increase in the formats Cash & Carry and Delikatesy Centrum. Increase in Cash & Carry format was mainly due to the transfer of Cash & Carry location from Tradis.

Table 11. Sales dynamics by business units in 2013

<i>mIn PLN</i>	External sales		
	2013	2012	Change %
Cash&Carry	4 591.21	4 075.93	12.64%
Delikatesy Centrum	1 654.22	1 475.52	12.11%
Eurocash Gastronomia	614.29	701.91	-12.48%
Total	6 859.72	6 253.36	9.70%

Profitability Analysis

Table 12. Eurocash: Financial Performance for 2013 and 2012

PLN m	2013	2012	Change 2013/2012
Sales revenues (traded goods, materials)	7 460.85	6 324.81	17.96%
Gross profit (loss) on sales	796.68	683.43	16.57%
Gross profitability on sales (%)	10.68%	10.81%	-0.13 p.p.
EBITDA	183.98	159.86	15.08%
<i>(EBITDA margin %)</i>	2.47%	2.53%	-0.06 p.p.
EBIT	125.41	108.03	16.09%
<i>(EBIT margin %)</i>	1.68%	1.71%	-0.03 p.p.
Gross profit	101.16	136.36	-25.81%
Net Income	90.92	145.21	-37.39%
<i>(Net profitability %)</i>	1.22%	2.30%	-1.08 p.p.

Gross profitability on sales amounted in 2013 10.68%, which is 0.13 pp less than in 2012.

EBITDA increased from the level of PLN 159.86 m in 2012 to PLN 183.98 m in 2013. EBITDA margin decreased in 2013 of 0.06 pp and amounted to 2.47%. Eurocash and Tradis continue processes of consolidation, but full effects should be seen thank to integration of logistic systems of Tradis and Delikatesy Centrum.

Net Income in 2013 amounted to PLN 90.92 m in comparison to PLN 145.21 m in 2012.

5.4 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 13. Mix of Assets

	31.12.2013	%	31.12.2012	%
Fixed assets (long-term)	2 745.24	62.22%	2 023.15	68.89%
Goodwill	322.38	11.74%	96.02	4.75%
Other intangible fixed assets	360.80	13.14%	28.24	1.40%
Tangible fixed assets	264.34	9.63%	173.87	8.59%
Investments in subsidiary companies	1 715.73	62.50%	1 647.30	81.42%
Investments in associated companies - equity method	43.77	1.59%	43.77	2.16%
Other long-term financial assets	0.75	0.03%	0.75	0.04%
Long-term receivables	4.74	0.17%	1.89	0.09%
Long-term prepayments	32.76	1.19%	31.31	1.55%
Current assets (short-term)	1 667.05	37.78%	913.70	31.11%
Inventories	664.66	39.87%	352.49	38.58%
Trade receivables	795.85	47.74%	428.03	46.85%
Current income tax receivables	8.10	0.49%	10.81	1.18%
Other short-term receivables	119.43	7.16%	30.59	3.35%
Other short-term financial assets	3.00	0.18%	3.10	0.34%
Short-term prepayments	9.22	0.55%	4.63	0.51%
Cash and cash equivalents	39.55	2.37%	56.78	6.21%
Short-term financial assets held for trade	27.25	1.63%	27.25	2.98%
Total assets	4 412.29	100.00%	2 936.85	100.00%

Table 14. Mix of Liabilities

PLN m	31.12.2013	%	31.12.2012	%
Equity	447.00	10.13%	477.02	16.24%
Share capital	138.43	30.97%	137.98	28.92%
Reserve capital	217.02	48.55%	185.35	38.86%
Hedging reserve	(4.65)	-1.04%	(4.65)	-0.97%
Retained earnings	96.20	21.52%	158.33	33.19%
Long-term liabilities	242.58	6.12%	491.24	19.97%
Long-term loans and credits	85.89	35.41%	473.74	96%
Other long-term financial liabilities	154.27	63.59%	16.38	3%
Other long-term liabilities	0.25	0.16%	-	-
Provision for employee benefits	2.17	0.89%	1.12	0%
Short-term liabilities	3 722.72	93.88%	1 968.59	80.03%
Loans and borrowings	1 227.70	32.98%	716.26	36.38%
Short-term financial liabilities	27.31	0.73%	32.13	1.63%
Trade liabilities	1 976.15	53.08%	1 147.08	58.27%
Other short-term payables	420.75	11.30%	29.95	1.52%
Current employee benefits	32.48	0.87%	12.80	0.65%
Provisions	38.33	1.03%	30.37	1.54%
Liabilities	3 965.30	89.87%	2 459.84	83.76%
Total equity and liabilities	4 412.29	100.00%	2 936.85	100.00%

Loan Agreements, Warranties and Collaterals

Loan agreements

Information on credit agreements concluded by Eurocash are presented in Note 19 to the separate financial statement 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. 33 and 34 to the separate financial statements for 2013.

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 about incentive programs based on the issuance of Eurocash shares are presented in point. 7.6 of this report.

5.5 Key Off-balance Sheet Items

Information on key off-balance sheet items for the Eurocash Group is provided in supplementary information to the annual separate financial statement, i.e. note no. 33 and 34.

5.6 Eurocash Cash Flow Analysis

Cash flow Statement

Table 15. Eurocash: Cash flows for 2012 and 2013

<i>PLN m</i>	2013	2012
Operating cash flows	353.45	180.37
<i>Gross profit (loss)</i>	<i>101.16</i>	<i>136.36</i>
<i>Depreciation</i>	<i>58.56</i>	<i>51.84</i>
<i>Change in working capital</i>	<i>173.39</i>	<i>37.59</i>
<i>Other</i>	<i>20.34</i>	<i>(45.56)</i>
Cash flows from investments	(448.48)	61.25
Cash flows from financing activities	77.79	(384.24)
Total cash flows	(17.24)	(142.62)

Total cash flows in 2013 disclosed the figure of PLN -17.24, cash flows from operating activities were used to cover investment costs, debt service and dividend payments.

Working capital rotation

Table 16. Eurocash: Consolidated Working Capital Ratios for 2013 and 2012

Turnover in days	2013	2012
1. Inventories turnover	32.52	20.40
2. Trade receivables turnover	38.93	24.77
3. Trade liabilities turnover	108.23	74.42
4. Operating cycle (1+2)	71.45	45.17
5. Cash conversion (4-3)	(36.78)	(29.25)

Cash conversion amounted to -36,78 days in 2013 compared to -29.25 in 2012.

Evaluation of Funds Management

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

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

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

Analysis of these risk factors is presented in Note 35 in the part of the report which contains separate financial statements.

5.7 Investment Activity

Major Investments Completed in 2013

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

Table 17. Key Investment Directions for Eurocash in 2013 and 2012

<i>PLN m</i>	2013	2012
Capital investment (including acquisition of shares and stock)	30.62	15.16
Independent clients (Cash&Carry, Batna and Delikatesy Centrum distribution centers)	103.34	82.51
Total investment outlays	133.96	97.67

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 ca. 150 new franchise stores into Delikatesy Centrum network.
- Replacement investment

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

5.8 Key Contributors to 2013 Financial Performance of Eurocash

1. 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.

2. Dividend Payment

According to Resolution 5 of the Shareholders' General Meeting 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 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.

3. Notification of a change in ownership as a result of which the entity has become a holder of shares representing less than 5% of the total number of votes at the General Meeting of Shareholders

As of January 25, 2013, the shares held by Fidelity Funds accounted for less than 5% (4.99%) of the share capital EUROCASH S.A.

In 2013, there were no other significant events or factors affecting the Company's financial results realized in this period.

5.9 Information on Court Proceedings

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

6. Additional Information

6.1 Information on Significant Agreements

In 2013, Eurocash entered into the following agreements considered significant for the business operations:

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").

6.2 Information on Transactions with Connected Entities

On 1 October 2013 took place the acquisition by the company Eurocash S.A. of 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 in this alcoholic beverages.

6.3 Forecasts Publication

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

6.4 Changes in Key Management Principles

2013 saw no changes in key management principles.

6.5 Agreements with Members of the Management Board as Financial Compensation Guarantees

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

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

6.6 Information on Registered Audit Company

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

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

Table 18. Capital expenditures for audit and review of financial statements

<i>PLN thousands</i>	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

7. Statement on Corporate Governance Rules

7.1 Indication of Corporate Governance Rules Applicable to Issuer

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

In the fiscal year ended 31 December 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.

7.2 Shareholders structure

7.2.1. 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 19. Shareholders with Direct or Indirect Substantial Shareholding in Eurocash

31.12.2013					31.12.2012			
Shareholder	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)
Luis Amaral (directly and indirectly through Politra B.V.)	60 615 240	43.8	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	77 361 296	56.1	77 361 496.	56.1
TOTAL	138 427 636	100.0	138 427 636	100.0	137 976 536	100.0	137 976 736	100.0

i. 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 20. Shares in the company held by members of the management board and their rights to subscription

	Eurocash shareholding		Share subscription rights	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Luis Amaral (directly and indirectly)	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	204 000	204 000	96 500	96 500
Pedro Martinho	725 050	725 050	118 000	118 000
Carlos Saraiva	0	0	0	0
Jacek Owczarek	38 500	0	15 000	76 500

Table 21. Shares in the company held by supervisory board and rights to subscription

	Eurocash shareholding		Share subscription rights	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
João Borges de Assuncao	0	0	0	0
Eduardo Aguinaga de Moraes	0	0	0	0
Francisco José Valente Hipólito dos Santos	0	0	0	0
Hans Joachim Körber	0	0	0	0
Jacek Szwajcowski	0	0	0	0
João Borges de Assuncao	0	0	0	0
Eduardo Aguinaga de Moraes	0	0	0	0

ii. 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.

iii. 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.

iv. 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.

v. Agreements which May Result in Changes of Blocks of Shares Held

Apart from the incentive schemes for managers and employees, the Management Board of Eurocash is not aware of any agreements which could cause changes in the proportion of blocks of shares held by the shareholders in the future.

7.3 The parent's governing bodies

Management Board

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

The Company's management body is the Management Board. The Management Board of the Parent is composed of seven members. The composition of the Management Board in the period January 1st – December 31st was as presented in the table 20.

Table 22. 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

7.3.2 Powers of the Management Board

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

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

- (i) determine the long- and medium-term development strategy as well as main objectives of the Company operations, increase the Company value to the shareholders and report them to the Supervisory Board, review the level of achievement of such goals and modify them if necessary
- (ii) define the Company's financial goals
- (iii) implement and follow through the long- and medium-term development strategy as well as the main Company's operating objectives and financial goals
- (iv) analyze major investment projects and related methods of funding

- (v) determine the principles of HR and remuneration policies, including:
 - appointment of the Company's key management staff
 - determining principles of employment, remuneration, and HR policies, as well as conducting a periodical analysis of the HR situation in the Company
- (vi) establish the Company's organizational structure
- (vii) approve the annual and/or long-term Company's budget
- (viii) determine an internal division of duties and responsibilities for Management Board Members
- (ix) set down Rules and other internal regulations of the Company unless the provisions of law or Articles of Association provide otherwise
- (x) take decisions on matters of exceptional importance as well as matters and transactions which may constitute material risk to the Company in line with the justified opinion of the Management Board Member
- (xi) request that the Supervisory Board submit an appraisal of draft resolutions which are to be presented to Shareholders at the Shareholders' Meeting
- (xii) any other actions which go beyond the ordinary management of the Company

In the remaining scope, respective Management Board members are responsible for independent management of Company affairs resulting from an internal allocation of duties and functions determined by the decision of the Management Board.

The Management Board may adopt resolutions at the Management Board meeting or outside the Management Board meeting in writing or as facilitated by remote communication tools. Resolutions of the Management Board are adopted by a simple majority of votes cast by Management Board members. Minutes of the resolutions are taken. Proper notification of the meeting to all Management Board members is required for the validity of the Management Board resolutions.

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

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

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

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

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

Supervisory Board

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

The Supervisory Board is composed of 5 members, whereby the right to appoint and recall 3 (three) members of the Supervisory Board is held by Politra B.V. (or its legal successor) as specified in point 2.5 above, while 2 members of the Supervisory Board are appointed and recalled by the General Shareholders' Meeting. The Supervisory Board member may be recalled only when the action is accompanied by a simultaneous appointment of the new Supervisory Board member.

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

Table 23. 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:

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.

7.3.5 Powers of the Supervisory Board

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

- (i) review and assessment of the Management Board’s report on the Company’s activities and the Company’s financial statements for their consistency with accounting books and documentation, as well as the actual state of affairs
- (ii) assessment of the Management Board’s recommendations concerning distribution of profit or loss cover
- (iii) submitting to the General Shareholders’ Meeting an annual written report on the results of the assessment referred to above
- (iv) appointing and recalling, as well as suspending Members of the Management Board for an important reason
- (v) issuing opinions on planned amendments to the Company’s Articles of Association
- (vi) approving annual budgets drafted by the Management Board and amendments to such budgets no later than by 30 November of each calendar year
- (vii) issuing opinions on granting loans or financial assistance as well as concluding agreements with any Member of the Management Board which fall outside an ordinary course of business
- (viii) electing an expert auditor to examine the Company’s financial statements
- (ix) adopting a uniform text of the Articles of Association
- (x) other matters which require a resolution of the Supervisory Board under binding legal regulations or other provisions of the Articles of Association

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

- (i) decisions concerning joint-ventures with other entities
- (ii) decisions concerning mergers with other entities as well as acquisitions of other entities or enterprises
- (iii) incurring any liability in excess of PLN 100,000,000 and the encumbrance on the Company’s assets with a value in excess of PLN 150,000,000 if such transactions have not been provided for in the annual budget

- (iv) sale or lease or transfer of the Company's assets with the value in excess of EUR 1,000,000 or its zloty equivalent if such a transaction has not been provided for in the annual budget
- (v) issuing opinions concerning the determination and changes in remuneration levels or terms of employment of Management Board Members
- (vi) raising, issue, taking up or disposal of shares in another subsidiary entity
- (vii) development and modification of any stock option scheme or an incentive scheme of a similar nature for the Company's management and employees
- (viii) the conclusion of a material agreement by the Company with a related entity as interpreted by the regulations concerning the submission of current and periodical information by issuers whose shares are quoted on the Stock Exchange in Warsaw S.A. except for standard transactions concluded on market terms as part of company operations entered into by the Company with its subsidiary entity in which the Company is a majority shareholder

The Supervisory Board performs its duties as a group. The Supervisory Board may delegate specific supervisory tasks to individual Members by way of a resolution adopted by a simple majority of votes.

Supervisory Board members perform their duties personally. However, they may participate in an adoption of resolutions of the Supervisory Board by voting in writing through another Supervisory Board member. The Supervisory Board may adopt resolutions at a session or in writing or by using remote communication tools. Resolutions of the Supervisory Board are adopted by a simple majority of votes in the presence of at least 3 members of the Board. Should an even number of votes be cast in 'favor of' and 'against' a resolution, the President of the Supervisory Board shall have the casting vote. Moreover, the consent of the majority of independent Supervisory Board members is required for the adoption by the Supervisory Board of resolutions in the following matters:

- (i) any action by the Company or any of its related entity that benefits the Members of the Management Board
- (ii) election of an expert auditor to examine the Company's financial statements
- (iii) issuing opinions on granting loans or financial assistance as well as concluding agreements with any Member of the Management Board which fall outside an ordinary course of business
- (iv) granting the Management Board the approval to limit or waive in full the priority rights (pre-emptive rights) of the Company's shareholders with respect to any of the Company's shares to be issued within the limits of the authorized capital

The detailed procedure of operations of the Supervisory Board is set out by the Supervisory Board Rules. The content of applicable Supervisory Board Rules is available at the following address:

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

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

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

7.3.7 Supervisory Board Committees

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

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

The members of each of the said committees are selected by the Supervisory Board where the Remunerations Committee should include at least one independent Supervisory Board member while the Audit Committee should include at least two independent Supervisory Board members and one member who is a financial specialist, i.e. a person having pertinent experience in finance management and accountancy in public companies or other companies of comparable size.

Responsibilities of the Audit Committee include as follows:

- (i) supervising the submission of financial information by the Company in the periodical reports, forecasts, etc
- (ii) supervising the activities of external auditors of the Company
- (iii) giving the opinion on the candidates for the Company's external auditors to be elected by the Supervisory Board, where external auditors should be changed at least once every 7 years
- (iv) supervising the relationship with the external auditor, including in particular assessing the external auditor's independence, remuneration and any non-auditing work for the Company, as well as determining the involvement of the external auditor with respect to the content and publication of financial reporting
- (v) each year, evaluating the internal control system in place and the significant risk management system in place, as well as self-evaluation in a form of an annual report of its deliberations, findings, and relationships with the external auditor (in particular, including his/her independence) to be included as part of the Supervisory Board's annual report to be
- (vi) presented at the Ordinary General Meeting of Shareholders.

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

Responsibilities of the Remunerations Committee include as follows:

- (i) reporting to the Supervisory Board of the existence of a remuneration policy for the Management Board, which is known to the Remunerations Committee in sufficient detail, including (a) the remuneration structure, (b) the amount of fixed remuneration, (c) the shares and/or options and/or other variable remuneration components and other forms of

remuneration, as well as the performance criteria and the application thereof by Management Board Members

- (ii) each year, submitting a proposal for the Supervisory Board's approval for an appraisal concerning the compliance of the remuneration policy for the Management Board and application thereof with regard to the desired standards of corporate governance
- (iii) ensuring the disclosure to the Supervisory Board of the remuneration of the Management Board resulting from an implementation of the remuneration policy
- (iv) each year, submitting a self-assessment in the form of an annual report of its performance to be included as part of the Supervisory Board's annual report and to be presented at the Ordinary General Meeting of Shareholders.

The Remunerations Committee is composed of the following members: Messrs. António José Santos Silva Casanova (Chairman), Eduardo Aguinaga and Janusz Lisowski.

The rules governing the operations of both committees are regulated in detail in Section VII of the Supervisory Board Rules available at the following address:

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

General Shareholders' Meeting

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

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

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

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

within their discretion and to the extent necessary for the resolution of matters discussed in the Meeting.

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

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

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

7.4 Discussion of Amendments to Issuer's Statutes

A resolution adopted by the Shareholders' Meeting concerning amendments to the Statutes must be preceded by an appraisal issued by the Company's Supervisory Board. Amendments to the provisions of the Statutes which consist in material changes to the subject matter of the Company's business operations without share buyout from shareholders who do not consent to the amendments requires that the resolution of the General Shareholders' Meeting be adopted by the majority of $\frac{3}{4}$ votes cast in the presence of shareholders who represent at least 50% of the Company's share capital.

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

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

7.5 Discussion of Premises for Appointing and Recalling Management Staff and Their Entitlements - in particular Right to Take Decisions on Share Issue or Buyout

Pursuant to § 9 Sec. 1 and 2 of the Articles of Association, the Management Board consists of 2 to 10 members appointed by the Supervisory Board for an individual three-year term of office. The number of members on the Management Board is determined by the Supervisory Board. The Supervisory Board also appoints one member of the Management Board as President of the Management Board by way of resolution. Any Management Board member may be recalled from office by way of a resolution adopted by the Supervisory Board or the General Shareholders' Meeting of the Company.

The scope of activities of the Management Board includes any and all affairs of the Company not reserved for the powers of the General Shareholders' Meeting and the Supervisory Board. The range of powers of the General Shareholders' Meeting and the scope of powers of the Supervisory Board are defined in Point 7.3 of the Report. The Management Board manages the affairs of the Company and represents the Company externally.

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

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

7.6 Information on Employee Shares Control System

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

No.	Legal Basis	Number and Class of Eurocash Shares	Determined or Projected* Issue Price	Option Exercise Date
1.	Resolution No. 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 2011 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 2011 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)	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

7.7 Forecasted Costs Connected with Incentive Schemes Introduced

Costs connected with employee incentive schemes based on the issue of Eurocash S.A. (the "Company") shares are calculated by the Company throughout the rights acquisition period and depreciated monthly. The fair value of options is established on the basis of the Black-Scholes-Merton model.

According to the model, the value of options is calculated in line with the following parameters:

- **Grant date:** For incentive schemes based on the issue of 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 amounted to PLN 7 090 345, while in 2012 PLN 502 317 25.

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

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

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

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

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

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

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

The annual program of the planned internal audits is developed on the basis of the risk assessment of business processes carried out by the Internal Audit Director in cooperation with the Management Board of the Controlling Entity. The planned audits are supplemented by ad hoc audits carried out at the request of the Management Board of the Controlling Entity as well as review audits concerning recommendations for enhanced control mechanisms across the Group.

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

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

8. Representations of the Management Board

8.1 Accuracy and Reliability of Reports Presented

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

- the consolidated annual financial statements for the Eurocash S.A. capital group and comparative data were drawn up in accordance with the applicable accounting principles and give, diligent, and transparent view of the economic and financial position of the Eurocash Group and of its financial performance for 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.

8.2 Appointment of Entity Qualified to Audit Financial Statements

The members of the Management Board of Eurocash S.A. represent that KPMG Audyt Sp. z o.o., the entity qualified to audit financial statements which audited the annual consolidated financial statements of the Eurocash Group was appointed in line with the applicable laws and regulations. The entity and the auditors involved met the criteria to formulate an impartial and independent opinion on the audit of the annual consolidated financial reports in line with the applicable provisions of law and professional standards.

APPENDIX A: Financial Ratios Definitions

Gross profit margin on sales:	ratio of gross sales margin to net sales revenues
EBITDA margin:	ratio of EBITDA (operating profit plus depreciation) to net sales revenues
Operating profit margin:	ratio of operating profit (EBIT) to net sales revenue
Net profit margin on sales:	ratio of net profit to net sales revenue
Inventories turnover:	the ratio of balance of stock at the end of period to net sales for period multiplied by the number of days in the period
Trade receivables turnover:	the ratio of balance of trade receivables at the end of period to net sales for period multiplied by the number of days in the period
Trade liabilities turnover:	the ratio of balance of trade liabilities at end of period to costs of goods sold for period multiplied by the number of days in the period
Operating cycle:	the sum of stock turnover and receivables turnover
Cash conversion cycle:	the difference between operating cycle and liabilities turnover

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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, 28 marca 2014

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LETTER FROM THE PRESIDENT

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.

1. Summary of Eurocash Operations in 2013

Eurocash Sales in 2013 reached PLN 7 460.85 million , EBITDA amounted to PLN 183.98 million, net profit of PLN 125.41 million. In contrast, for the year ended 31 December 2012 Eurocash achieved sales revenues of PLN 6 324.81 million, EBITDA of PLN 159.86 million, and a net profit of PLN 145.21 million. There are no significant risks in the current and projected financial situation of Eurocash S.A.

Table 1. Eurocash: Summary of 2013 Financial Performance

mIn PLN	Change		
	2013	2012	2013/2012
Sales revenues (traded goods, materials)	7 460.85	6 324.81	17.96%
EBITDA	183.98	159.86	15.08%
<i>(EBITDA margin %)</i>	2.47%	2.53%	-0.06 p.p.
EBIT	125.41	108.03	16.09%
<i>(EBIT margin %)</i>	1.68%	1.71%	-0.03 p.p.
Net Income	90.92	145.21	-25.81%
<i>Net profitability %</i>	1.22%	2.30%	-37.39%

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 wholesales of Delikatesy Centrum franchise stores went up by 1.6%. Retail sales noted by Delikatesy Centrum franchise stores (like-for-like) were up by 1.4% in 2013. External sales of Eurocash Gastronomica format (including Pol Cater) were disclosed at PLN 614.3 million, representing an decrease of -12.48% year on year.

2. Eurocash Group

The Eurocash Group is one of the largest groups in Poland in terms of sales values and the number of outlets involved in the distribution of food products, household chemicals, alcohol, and tobacco products (i.e. fast moving consumer goods – FMCG.) Through a range of distribution formats, the Eurocash Group focuses its business activities on the wholesale distribution of products to customers across all significant traditional wholesale market segments, in particular, to traditional retail stores throughout Poland and to the market segment of petrol stations, restaurants, and hotels.

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



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.



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



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



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



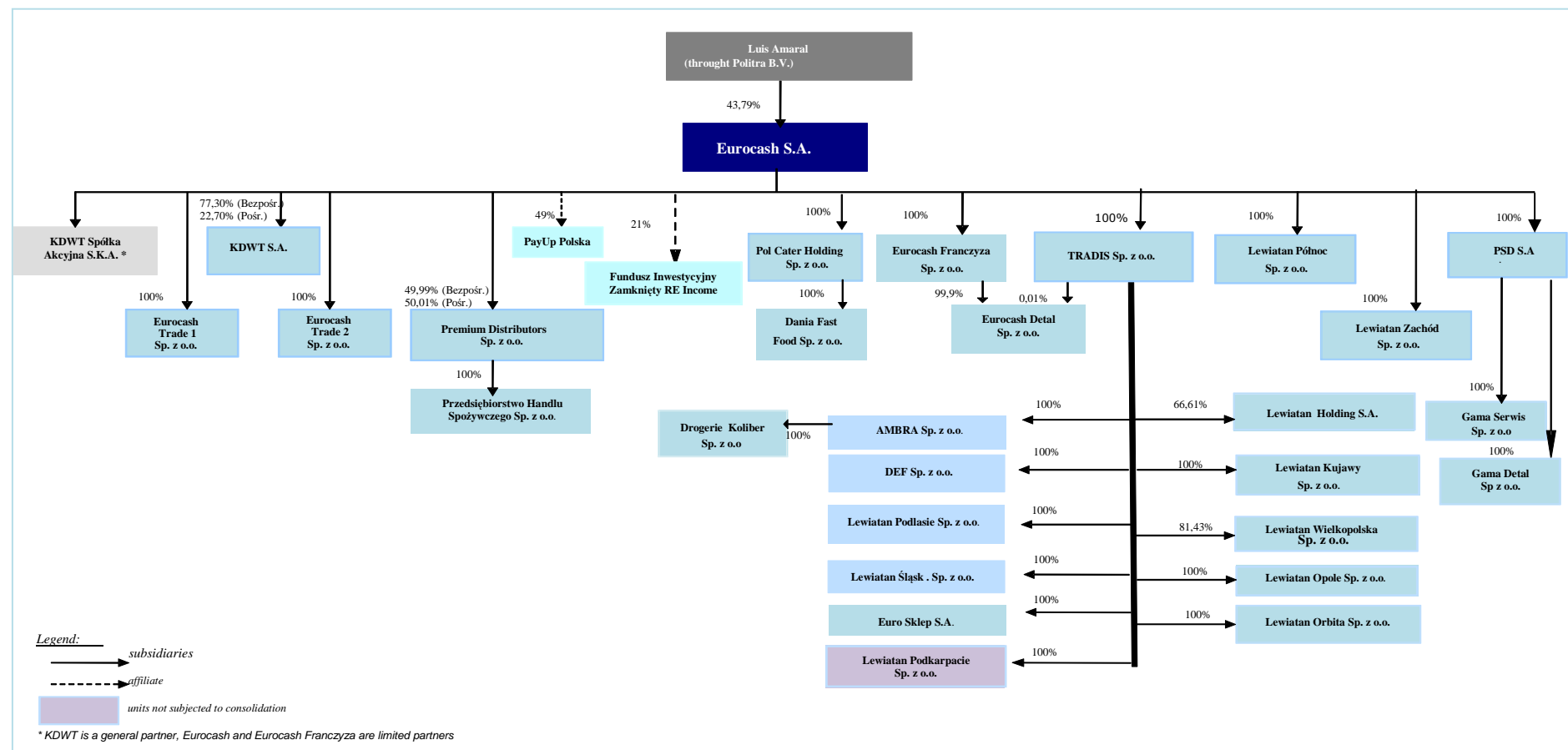
Grupa Dystrybucyjna Tradis the biggest polish nationwide distributor of FMCG providing trade of products with service to the client with the broad range of assortment. To the Group belong over 4 000 retail franchise and partner stores under brands: Lewiatan, Groszek, Euro Sklep, Gama.



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.

2.1 Eurocash Group: Capital and Organizational Links

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



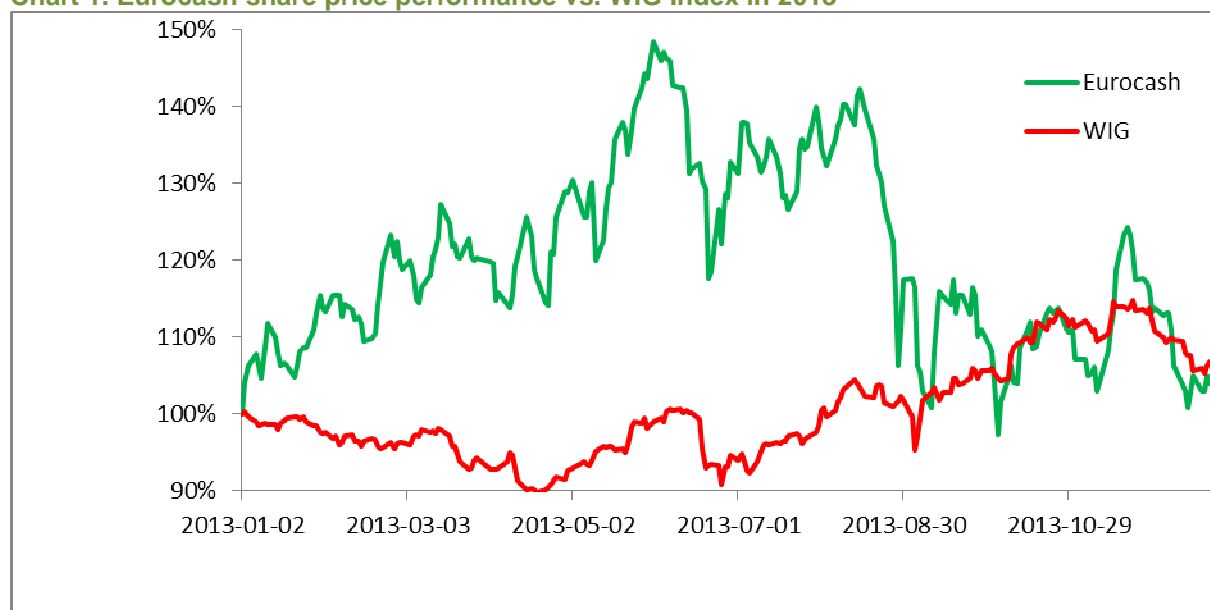
Luis Amaral is the main shareholder of Eurocash (directly and indirectly through Politra B.V.), with the shareholding of 43,79% as at 31.12.2013. Luis Amaral serves as President of the Management Board. Detailed information on the Eurocash Group's organizational structure and a specification of entities under consolidation may be found in Supplementary Information to the consolidated financial statements, point 1.7.

2.2 Eurocash Listing on Warsaw Stock Exchange in 2013¹

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 15th 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%. 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 1. Eurocash share price performance vs. WIG Index in 2013



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.

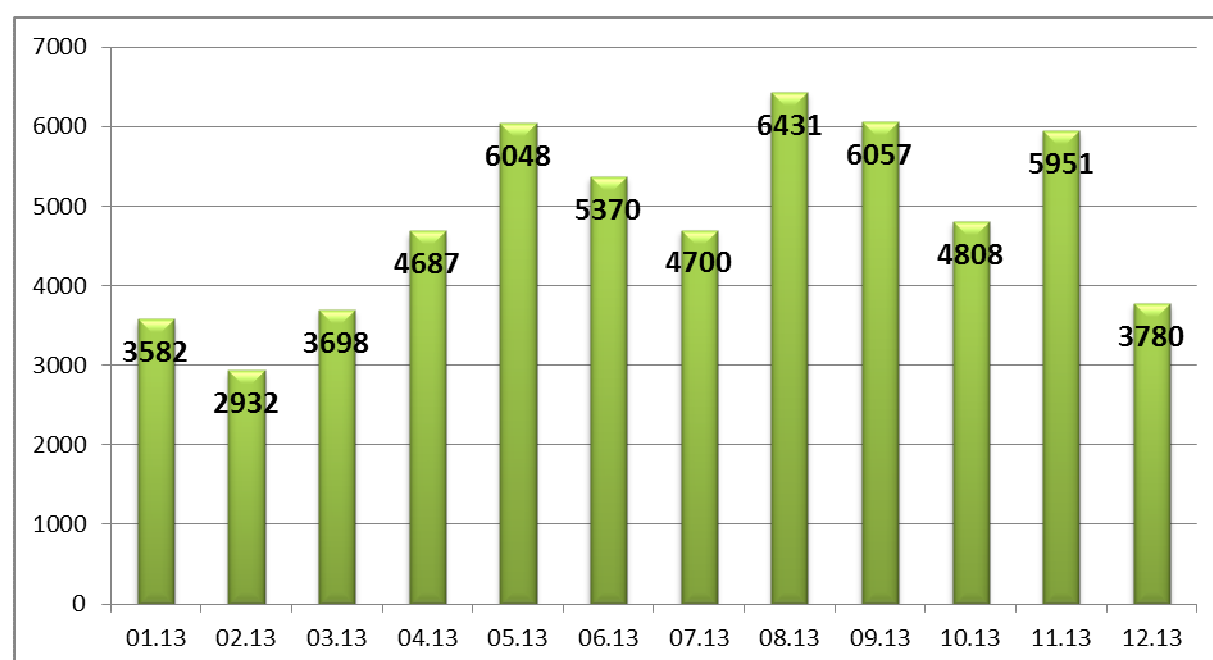
The average number of Eurocash shares traded daily in 2013 was 449 026. The table 2 presents the key share quotation data of the Company on the Warsaw Stock Exchange between 2011-2013. In 2013, the total trading volume of Eurocash shares was PLN 57.6. (41.6% of the Company's share capital). The chart 2 presents monthly trade volume in 2013.

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

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

	Unit	2011	2012	2013
Number of shares issued	million	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	'000	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 2. Monthly trade volume in 2013

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

Table 3. Capital market ratios

		2011	2012	2013
EPS (PLN)	Profit for the period/number of shares	0.47	1.05	0.66
P/E	Price per share/earnings per share	60.34	41.52	72.61
MC/S	Market capitalisation/revenues from sales	0.71	0.95	0.71
P/BV	Price per share/book value per share	11.28	12.63	14.77

3. Eurocash Business Overview

3.1 Market Environment

Due to the fact that the Group does business in Poland, the local macroeconomic environment has had and will have a significant impact on 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 of domestic demand. Likewise, they also indirectly affect the Group's sales revenues.

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

Table 4. 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

Source: Central Statistical Office

* Preliminary data

** As at year end

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

In 2013, the fastest growing sector of the economy was 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% in 2012.

Food prices in 2013 increased by 2.2% (against 4.3% in 2012). Prices of soft drinks also increased by 0.3%, following 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 excise duty increases in early 2013.

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

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

General information

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

According to GfK Polonia Sp. z o.o., in 2013 the Polish FMCG market amounted to PLN 222 billion, which represents an increase of 1.5% compared to 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 5. Eurocash Group: Wholesale distribution of FMCG Products in Poland

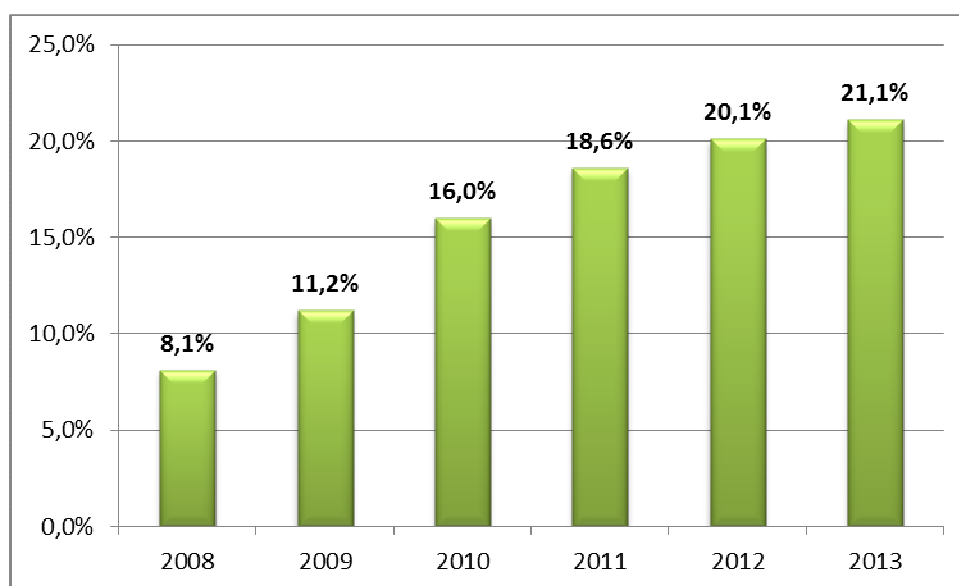
PLN billion	2012	Change %	2011	Change %	2009
Food and non-alcoholic beverages	121.3	1.3	119.7	10.4	108.4
Alcoholic beverages	24.8	-9.8	27.5	8.7	25.3
Total	146.1	-0.74	147.2	10.1	133.7

Source: Central Statistical Office

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).

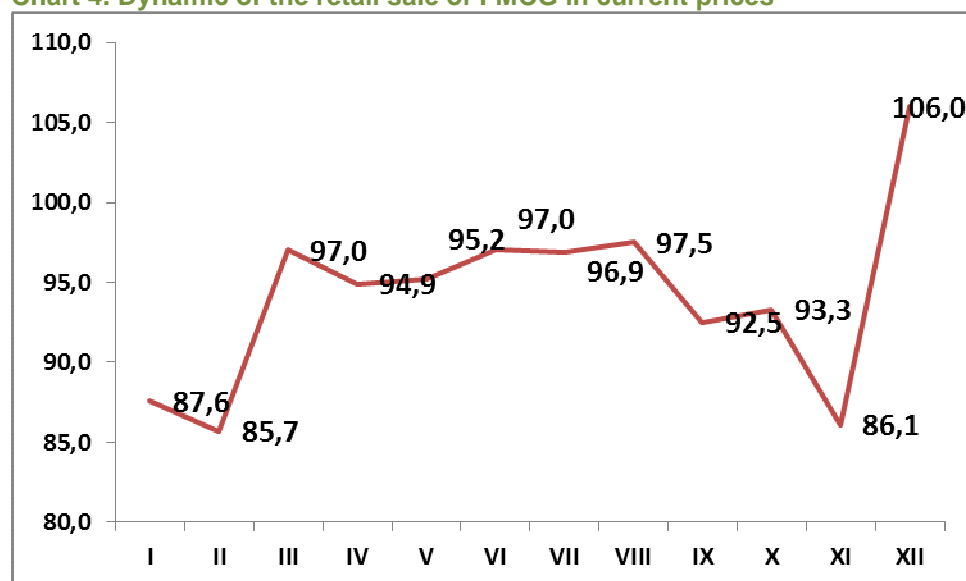
In 2013, Eurocash Group represented a 21.1% share in the wholesale market of FMCG products, which was a one percent increase on the previous year.

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

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.

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. In 2013, the share of these products accounted for approximately 94.1% of the total sales figure against 92.3% noted in 2012. The tobacco products, pre-paid top ups, and phone cards - with the share of 0.2% in 2013 against 3% noted in 2012. The share of other non-food products (including cosmetics, household chemicals, OTC drugs, and others) accounted for 5.28% in 2012 against 4.7% noted in 2012.

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

Table 6. Sales Mix of Eurocash in 2013 and 2012 by Key Categories

	2013		2012	
	Amount	% share	Amount	% share
	<i>PLN million</i>	<i>%</i>	<i>PLN million</i>	<i>%</i>
Food and beverages	7 020.35	94.10	5 838.16	92.3
Tobacco and mobile phone pre-paid cards and top-ups	46.23	0.62	191.87	3
Others*	394.23	5.28	294.77	4.7
Total sales revenues	7 460.85	100.0	6 324.81	100.0

Source: Eurocash

* Mainly chemical articles

Chart 5. Sales of goods mix of Eurocash 2013

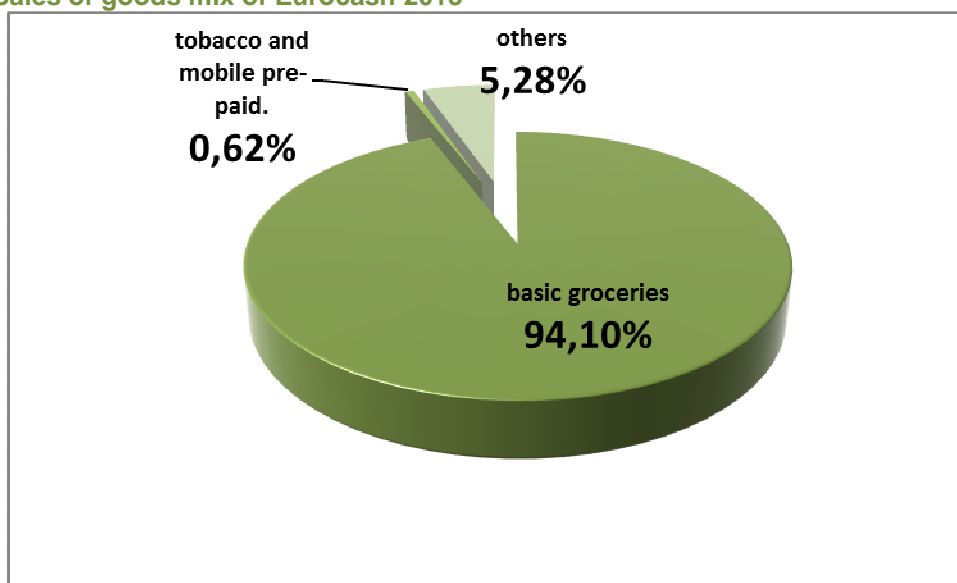
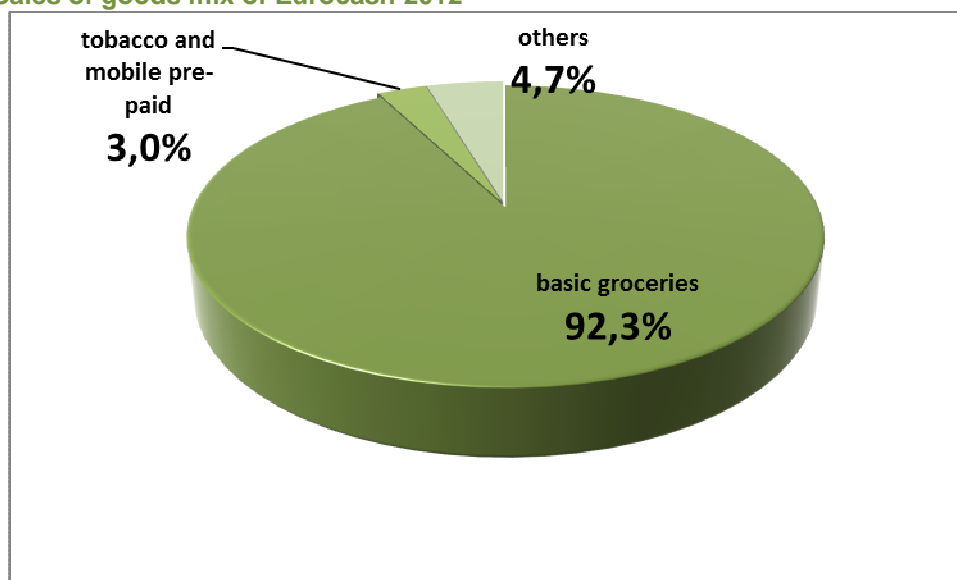


Chart 6. Sales of goods mix of Eurocash 2012



3.3 Suppliers

Due to the range of products offered by Eurocash and geographically diverse sales, key suppliers of the company are numerous and as at 31 December 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 Eurocash primarily include alcoholic beverages producers, i.e. Kompania Piwowarska, Grupa Żywiec, and the CEDC Group.

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

3.4 Customers

Eurocash offers its customers a range of cooperation options through specific distribution formats:

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

Due to the large dispersion of the sale, none of the customers of the Eurocash Group reach 10% of the Group's sales revenue Eurocash total.

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.

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

Table 7. Eurocash: Number of Cash & Carry warehouses, Delikatesy Centrum, 'abc' store network

	As at 31 December				Change	Change	Change
	2013	2012	2011	2010	2012/2011	2011/2010	2010/2009
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

Source: Eurocash

*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

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 8. 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
			10	Relocation of Tradis to EC
	2	Number of closed Tradis warehouses	2	

Table 9. 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
			17	Relocation of Tradis to EC
	4	Number of closed Tradis warehouses	4	

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

4. Eurocash Development Prospects

4.1 Eurocash Development Strategy

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

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

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

Strategic goals of the Eurocash are as follows:

- satisfy the needs of the Company's customers across key product groups through a range of distribution formats and forms of cooperation as well as by ensuring that customers receive an expected service quality

- create a permanent competitive advantage for Eurocash 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 Eurocash also assumes further organic growth across every distribution format as well as the continuation of takeovers of other wholesalers and franchise networks. Transactions concerning acquisitions of other entities allow to generate scale economies relatively fast, which translates into the possibility for Eurocash to offer its customers (independent retail trade) better conditions of goods procurement, which should also help increase the Company's competitiveness and enhance its market position.

4.2 Factors impacting Development of Eurocash

External Factors

Growth in the FMCG market and changes in market structure

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

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 results of Eurocash.

Payroll costs

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

Internal Factors

New business formats

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

Organic growth

Management of the Eurocash expects that during 2014:

- 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's Premium Distributors Ltd.. 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.

4.3 Risks and Threats

Financial risks are discussed in Note 35 to the separate financial statements for 2013, which constitute a part of the Eurocash annual report for 2013. Other significant risk factors related to the operations of Eurocash are presented below.

External Factors

Macroeconomic situation. Purchasing power of the population

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

Structure of FMCG retail distribution market in Poland

In 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 business.

Structure of the traditional FMCG distribution channel. Competition

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

Internal Factors

IT systems

An efficient, 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 Company's business.

New investments

Eurocash wishes to be an active player in the process of market consolidation by way of acquiring FMCG warehouses. While taking over other enterprises, the Company faces numerous material risks

connected to integration, achievement of synergies planned, or an inadequate assessment of the market potential.

Suppliers

Due to the range of products offered by Eurocash and geographically diverse sales, key suppliers of the Company are numerous and as at 31 December 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 Company's operations does not depend on suppliers, as a result of which the risk related to contract termination or adverse changes in contractual terms could have a negative effect on business operations of Eurocash and its financial performance is limited.

4.4 Note on seasonality

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

5. Management Discussion of Eurocash Financial Performance for 2013

5.1 Principles applied in the preparation of annual consolidated financial statements

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

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

5.2 Eurocash: Financial and Operational Highlights

During 2013 separate sales of Eurocash S.A. reached PLN 7 460.85 million, EBITDA was noted at PLN 183.98 million and net profit was noted at PLN 90.92 million.

Table 10. Eurocash: Summary of 2013 Financial Performance

<i>mln PLN</i>	Change		
	2013	2012	2013/2012
Sales revenues (traded goods. materials)	7 460.85	6 324.81	17.96%
EBITDA	183.98	159.86	15.08%
(EBIT margin %)	2.47%	2.53%	-0.06 p.p.
EBIT	125.41	108.03	16.09%
(EBIT margin %)	1.68%	1.71%	-0.03 p.p.
Net Income	90.92	145.21	-25.81%
(Net profitability %)	1.22%	2.30%	-37.39%

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 wholesales od Delikatesy Centrum franchise stores went up by 1,6%. Retail sales noted by Delikatesy Centrum franchise stores (per constant number of outlets) were up by 1.4% in 2013. External sales of Eurocash Gastronomia format (including Pol Cater) were disclosed at PLN 614.3 million, representing a decrease of -12.48% year on year.

Cash&Carry Warehouses

- 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%.

„Delikatesy Centrum”

- 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.

Eurocash Gastronomía:

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

Premium Distributors

- On 1 October 2013 the acquisition by the company Eurocash SA from Premium Distributors Ltd. company. 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.
- Sales to external customers realized by Premium Distributors in the period from 01.10.2013 - 31.12.2013 amounted to PLN 549.3 m and increased by 0.6% compared to the 4th quarter of

2012

- In 2013, sales to external customers amounted to PLN 1 891.5 million, and fell by 3.09% y/y
- Premium Distributors Sales decreased primarily due to the transfer to Tradis in 2013, the sales of the network of petrol stations

5.3 Profit and Loss Account

Sales Revenues

In 2013, separate sales revenues earned by the Eurocash S.A. increased by 17.96%, disclosing the figure of PLN 7 460.85 m. The main reason for increase in sales growth was a large increase in the formats Cash & Carry and Delikatesy Centrum. Increase in Cash & Carry format was mainly due to the transfer of Cash & Carry location from Tradis.

Table 11. Sales dynamics by business units in 2013

<i>mIn PLN</i>	External sales		
	2013	2012	Change %
Cash&Carry	4 591.21	4 075.93	12.64%
Delikatesy Centrum	1 654.22	1 475.52	12.11%
Eurocash Gastronomia	614.29	701.91	-12.48%
Total	6 859.72	6 253.36	9.70%

Profitability Analysis

Table 12. Eurocash: Financial Performance for 2013 and 2012

PLN m	2013	2012	Change 2013/2012
Sales revenues (traded goods, materials)	7 460.85	6 324.81	17.96%
Gross profit (loss) on sales	796.68	683.43	16.57%
Gross profitability on sales (%)	10.68%	10.81%	-0.13 p.p.
EBITDA	183.98	159.86	15.08%
<i>(EBITDA margin %)</i>	2.47%	2.53%	-0.06 p.p.
EBIT	125.41	108.03	16.09%
<i>(EBIT margin %)</i>	1.68%	1.71%	-0.03 p.p.
Gross profit	101.16	136.36	-25.81%
Net Income	90.92	145.21	-37.39%
<i>(Net profitability %)</i>	1.22%	2.30%	-1.08 p.p.

Gross profitability on sales amounted in 2013 10.68%, which is 0.13 pp less than in 2012.

EBITDA increased from the level of PLN 159.86 m in 2012 to PLN 183.98 m in 2013. EBITDA margin decreased in 2013 of 0.06 pp and amounted to 2.47%. Eurocash and Tradis continue processes of consolidation, but full effects should be seen thank to integration of logistic systems of Tradis and Delikatesy Centrum.

Net Income in 2013 amounted to PLN 90.92 m in comparison to PLN 145.21 m in 2012.

5.4 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 13. Mix of Assets

	31.12.2013	%	31.12.2012	%
Fixed assets (long-term)	2 745.24	62.22%	2 023.15	68.89%
Goodwill	322.38	11.74%	96.02	4.75%
Other intangible fixed assets	360.80	13.14%	28.24	1.40%
Tangible fixed assets	264.34	9.63%	173.87	8.59%
Investments in subsidiary companies	1 715.73	62.50%	1 647.30	81.42%
Investments in associated companies - equity method	43.77	1.59%	43.77	2.16%
Other long-term financial assets	0.75	0.03%	0.75	0.04%
Long-term receivables	4.74	0.17%	1.89	0.09%
Long-term prepayments	32.76	1.19%	31.31	1.55%
Current assets (short-term)	1 667.05	37.78%	913.70	31.11%
Inventories	664.66	39.87%	352.49	38.58%
Trade receivables	795.85	47.74%	428.03	46.85%
Current income tax receivables	8.10	0.49%	10.81	1.18%
Other short-term receivables	119.43	7.16%	30.59	3.35%
Other short-term financial assets	3.00	0.18%	3.10	0.34%
Short-term prepayments	9.22	0.55%	4.63	0.51%
Cash and cash equivalents	39.55	2.37%	56.78	6.21%
Short-term financial assets held for trade	27.25	1.63%	27.25	2.98%
Total assets	4 412.29	100.00%	2 936.85	100.00%

Table 14. Mix of Liabilities

PLN m	31.12.2013	%	31.12.2012	%
Equity	447.00	10.13%	477.02	16.24%
Share capital	138.43	30.97%	137.98	28.92%
Reserve capital	217.02	48.55%	185.35	38.86%
Hedging reserve	(4.65)	-1.04%	(4.65)	-0.97%
Retained earnings	96.20	21.52%	158.33	33.19%
Long-term liabilities	242.58	6.12%	491.24	19.97%
Long-term loans and credits	85.89	35.41%	473.74	96%
Other long-term financial liabilities	154.27	63.59%	16.38	3%
Other long-term liabilities	0.25	0.16%	-	-
Provision for employee benefits	2.17	0.89%	1.12	0%
Short-term liabilities	3 722.72	93.88%	1 968.59	80.03%
Loans and borrowings	1 227.70	32.98%	716.26	36.38%
Short-term financial liabilities	27.31	0.73%	32.13	1.63%
Trade liabilities	1 976.15	53.08%	1 147.08	58.27%
Other short-term payables	420.75	11.30%	29.95	1.52%
Current employee benefits	32.48	0.87%	12.80	0.65%
Provisions	38.33	1.03%	30.37	1.54%
Liabilities	3 965.30	89.87%	2 459.84	83.76%
Total equity and liabilities	4 412.29	100.00%	2 936.85	100.00%

Loan Agreements, Warranties and Collaterals

Loan agreements

Information on credit agreements concluded by Eurocash are presented in Note 19 to the separate financial statement 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. 33 and 34 to the separate financial statements for 2013.

Issue of Securities and Bonds in 2012

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 about incentive programs based on the issuance of Eurocash shares are presented in point. 7.6 of this report.

5.5 Key Off-balance Sheet Items

Information on key off-balance sheet items for the Eurocash Group is provided in supplementary information to the annual separate financial statement, i.e. note no. 33 and 34.

5.6 Eurocash Cash Flow Analysis

Cash flow Statement

Table 15. Eurocash: Cash flows for 2012 and 2013

<i>PLN m</i>	2013	2012
Operating cash flows	353.45	180.37
<i>Gross profit (loss)</i>	<i>101.16</i>	<i>136.36</i>
<i>Depreciation</i>	<i>58.56</i>	<i>51.84</i>
<i>Change in working capital</i>	<i>173.39</i>	<i>37.59</i>
<i>Other</i>	<i>20.34</i>	<i>(45.56)</i>
Cash flows from investments	(448.48)	61.25
Cash flows from financing activities	77.79	(384.24)
Total cash flows	(17.24)	(142.62)

Total cash flows in 2013 disclosed the figure of PLN -17.24, cash flows from operating activities were used to cover investment costs, debt service and dividend payments.

Working capital rotation

Table 16. Eurocash: Consolidated Working Capital Ratios for 2013 and 2012

Turnover in days	2013	2012
1. Inventories turnover	32.52	20.40
2. Trade receivables turnover	38.93	24.77
3. Trade liabilities turnover	108.23	74.42
4. Operating cycle (1+2)	71.45	45.17
5. Cash conversion (4-3)	(36.78)	(29.25)

Cash conversion amounted to -36,78 days in 2013 compared to -29.25 in 2012.

Evaluation of Funds Management

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

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

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

Analysis of these risk factors is presented in Note 35 in the part of the report which contains separate financial statements.

5.7 Investment Activity

Major Investments Completed in 2013

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

Table 17. Key Investment Directions for Eurocash in 2013 and 2012

<i>PLN m</i>	2013	2012
Capital investment (including acquisition of shares and stock)	30.62	15.16
Independent clients (Cash&Carry, Batna and Delikatesy Centrum distribution centers)	103.34	82.51
Total investment outlays	133.96	97.67

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 ca. 150 new franchise stores into Delikatesy Centrum network.
- Replacement investment

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

5.8 Key Contributors to 2013 Financial Performance of Eurocash

1. 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.

2. Dividend Payment

According to Resolution 5 of the Shareholders' General Meeting 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 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.

3. Notification of a change in ownership as a result of which the entity has become a holder of shares representing less than 5% of the total number of votes at the General Meeting of Shareholders

As of January 25, 2013, the shares held by Fidelity Funds accounted for less than 5% (4.99%) of the share capital EUROCASH S.A.

In 2013, there were no other significant events or factors affecting the Company's financial results realized in this period.

5.9 Information on Court Proceedings

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

6. Additional Information

6.1 Information on Significant Agreements

In 2013, Eurocash entered into the following agreements considered significant for the business operations:

1.	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").

6.2 Information on Transactions with Connected Entities

On 1 October 2013 took place the acquisition by the company Eurocash S.A. of 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 in this alcoholic beverages.

6.3 Forecasts Publication

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

6.4 Changes in Key Management Principles

2013 saw no changes in key management principles.

6.5 Agreements with Members of the Management Board as Financial Compensation Guarantees

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

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

6.6 Information on Registered Audit Company

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

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

Table 18. Capital expenditures for audit and review of financial statements

<i>PLN thousands</i>	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

7. Statement on Corporate Governance Rules

7.1 Indication of Corporate Governance Rules Applicable to Issuer

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

In the fiscal year ended 31 December 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.

7.2 Shareholders structure

7.2.1. 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 19. Shareholders with Direct or Indirect Substantial Shareholding in Eurocash

31.12.2013					31.12.2012			
Shareholder	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)
Luis Amaral (directly and indirectly through Politra B.V.)	60 615 240	43.8	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	77 361 296	56.1	77 361 496.	56.1
TOTAL	138 427 636	100.0	138 427 636	100.0	137 976 536	100.0	137 976 736	100.0

i. 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 20. Shares in the company held by members of the management board and their rights to subscription

	Eurocash shareholding		Share subscription rights	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Luis Amaral (directly and indirectly)	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	204 000	204 000	96 500	96 500
Pedro Martinho	725 050	725 050	118 000	118 000
Carlos Saraiva	0	0	0	0
Jacek Owczarek	38 500	0	15 000	76 500

Table 21. Shares in the company held by supervisory board and rights to subscription

	Eurocash shareholding		Share subscription rights	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
João Borges de Assuncao	0	0	0	0
Eduardo Aguinaga de Moraes	0	0	0	0
Francisco José Valente	0	0	0	0
Hipólito dos Santos				
Hans Joachim Körber	0	0	0	0
Jacek Szwajcowski	0	0	0	0
João Borges de Assuncao	0	0	0	0
Eduardo Aguinaga de Moraes	0	0	0	0

ii. 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.

iii. 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.

iv. 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.

v. Agreements which May Result in Changes of Blocks of Shares Held

Apart from the incentive schemes for managers and employees, the Management Board of Eurocash is not aware of any agreements which could cause changes in the proportion of blocks of shares held by the shareholders in the future.

7.3 The parent's governing bodies

Management Board

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

The Company's management body is the Management Board. The Management Board of the Parent is composed of seven members. The composition of the Management Board in the period January 1st – December 31st was as presented in the table 20.

Table 22. The composition of the Management Board in 2012

Luis Manuel Conceicao do Amaral	President of the Management Board
Rui Amaral	Member of the Management Board - CEO
Arnaldo Guerreiro	Member of the Management Board
Pedro Martinho	Member of the Management Board
Carlos Saraiva	Member of the Management Board
Jacek Owczarek	Member of the Management Board – Financial Director
Katarzyna Kopaczewska.	Member of the Management Board – HR Director

7.3.2 Powers of the Management Board

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

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

- (i) determine the long- and medium-term development strategy as well as main objectives of the Company operations, increase the Company value to the shareholders and report them to the Supervisory Board, review the level of achievement of such goals and modify them if necessary
- (ii) define the Company's financial goals
- (iii) implement and follow through the long- and medium-term development strategy as well as the main Company's operating objectives and financial goals
- (iv) analyze major investment projects and related methods of funding

- (v) determine the principles of HR and remuneration policies, including:
 - appointment of the Company's key management staff
 - determining principles of employment, remuneration, and HR policies, as well as conducting a periodical analysis of the HR situation in the Company
- (vi) establish the Company's organizational structure
- (vii) approve the annual and/or long-term Company's budget
- (viii) determine an internal division of duties and responsibilities for Management Board Members
- (ix) set down Rules and other internal regulations of the Company unless the provisions of law or Articles of Association provide otherwise
- (x) take decisions on matters of exceptional importance as well as matters and transactions which may constitute material risk to the Company in line with the justified opinion of the Management Board Member
- (xi) request that the Supervisory Board submit an appraisal of draft resolutions which are to be presented to Shareholders at the Shareholders' Meeting
- (xii) any other actions which go beyond the ordinary management of the Company

In the remaining scope, respective Management Board members are responsible for independent management of Company affairs resulting from an internal allocation of duties and functions determined by the decision of the Management Board.

The Management Board may adopt resolutions at the Management Board meeting or outside the Management Board meeting in writing or as facilitated by remote communication tools. Resolutions of the Management Board are adopted by a simple majority of votes cast by Management Board members. Minutes of the resolutions are taken. Proper notification of the meeting to all Management Board members is required for the validity of the Management Board resolutions.

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

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

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

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

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

Supervisory Board

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

The Supervisory Board is composed of 5 members, whereby the right to appoint and recall 3 (three) members of the Supervisory Board is held by Politra B.V. (or its legal successor) as specified in point 2.5 above, while 2 members of the Supervisory Board are appointed and recalled by the General Shareholders' Meeting. The Supervisory Board member may be recalled only when the action is accompanied by a simultaneous appointment of the new Supervisory Board member.

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

Table 23. The composition of the Supervisory Board in 2012

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:

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.

7.3.5 Powers of the Supervisory Board

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

- (i) review and assessment of the Management Board’s report on the Company’s activities and the Company’s financial statements for their consistency with accounting books and documentation, as well as the actual state of affairs
- (ii) assessment of the Management Board’s recommendations concerning distribution of profit or loss cover
- (iii) submitting to the General Shareholders’ Meeting an annual written report on the results of the assessment referred to above
- (iv) appointing and recalling, as well as suspending Members of the Management Board for an important reason
- (v) issuing opinions on planned amendments to the Company’s Articles of Association
- (vi) approving annual budgets drafted by the Management Board and amendments to such budgets no later than by 30 November of each calendar year
- (vii) issuing opinions on granting loans or financial assistance as well as concluding agreements with any Member of the Management Board which fall outside an ordinary course of business
- (viii) electing an expert auditor to examine the Company’s financial statements
- (ix) adopting a uniform text of the Articles of Association
- (x) other matters which require a resolution of the Supervisory Board under binding legal regulations or other provisions of the Articles of Association

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

- (i) decisions concerning joint-ventures with other entities
- (ii) decisions concerning mergers with other entities as well as acquisitions of other entities or enterprises
- (iii) incurring any liability in excess of PLN 100,000,000 and the encumbrance on the Company’s assets with a value in excess of PLN 150,000,000 if such transactions have not been provided for in the annual budget

- (iv) sale or lease or transfer of the Company's assets with the value in excess of EUR 1,000,000 or its zloty equivalent if such a transaction has not been provided for in the annual budget
- (v) issuing opinions concerning the determination and changes in remuneration levels or terms of employment of Management Board Members
- (vi) raising, issue, taking up or disposal of shares in another subsidiary entity
- (vii) development and modification of any stock option scheme or an incentive scheme of a similar nature for the Company's management and employees
- (viii) the conclusion of a material agreement by the Company with a related entity as interpreted by the regulations concerning the submission of current and periodical information by issuers whose shares are quoted on the Stock Exchange in Warsaw S.A. except for standard transactions concluded on market terms as part of company operations entered into by the Company with its subsidiary entity in which the Company is a majority shareholder

The Supervisory Board performs its duties as a group. The Supervisory Board may delegate specific supervisory tasks to individual Members by way of a resolution adopted by a simple majority of votes.

Supervisory Board members perform their duties personally. However, they may participate in an adoption of resolutions of the Supervisory Board by voting in writing through another Supervisory Board member. The Supervisory Board may adopt resolutions at a session or in writing or by using remote communication tools. Resolutions of the Supervisory Board are adopted by a simple majority of votes in the presence of at least 3 members of the Board. Should an even number of votes be cast in 'favor of' and 'against' a resolution, the President of the Supervisory Board shall have the casting vote. Moreover, the consent of the majority of independent Supervisory Board members is required for the adoption by the Supervisory Board of resolutions in the following matters:

- (i) any action by the Company or any of its related entity that benefits the Members of the Management Board
- (ii) election of an expert auditor to examine the Company's financial statements
- (iii) issuing opinions on granting loans or financial assistance as well as concluding agreements with any Member of the Management Board which fall outside an ordinary course of business
- (iv) granting the Management Board the approval to limit or waive in full the priority rights (pre-emptive rights) of the Company's shareholders with respect to any of the Company's shares to be issued within the limits of the authorized capital

The detailed procedure of operations of the Supervisory Board is set out by the Supervisory Board Rules. The content of applicable Supervisory Board Rules is available at the following address:

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

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

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

7.3.7 Supervisory Board Committees

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

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

The members of each of the said committees are selected by the Supervisory Board where the Remunerations Committee should include at least one independent Supervisory Board member while the Audit Committee should include at least two independent Supervisory Board members and one member who is a financial specialist, i.e. a person having pertinent experience in finance management and accountancy in public companies or other companies of comparable size.

Responsibilities of the Audit Committee include as follows:

- (i) supervising the submission of financial information by the Company in the periodical reports, forecasts, etc
- (ii) supervising the activities of external auditors of the Company
- (iii) giving the opinion on the candidates for the Company's external auditors to be elected by the Supervisory Board, where external auditors should be changed at least once every 7 years
- (iv) supervising the relationship with the external auditor, including in particular assessing the external auditor's independence, remuneration and any non-auditing work for the Company, as well as determining the involvement of the external auditor with respect to the content and publication of financial reporting
- (v) each year, evaluating the internal control system in place and the significant risk management system in place, as well as self-evaluation in a form of an annual report of its deliberations, findings, and relationships with the external auditor (in particular, including his/her independence) to be included as part of the Supervisory Board's annual report to be
- (vi) presented at the Ordinary General Meeting of Shareholders.

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

Responsibilities of the Remunerations Committee include as follows:

- (i) reporting to the Supervisory Board of the existence of a remuneration policy for the Management Board, which is known to the Remunerations Committee in sufficient detail, including (a) the remuneration structure, (b) the amount of fixed remuneration, (c) the shares and/or options and/or other variable remuneration components and other forms of

remuneration, as well as the performance criteria and the application thereof by Management Board Members

- (ii) each year, submitting a proposal for the Supervisory Board's approval for an appraisal concerning the compliance of the remuneration policy for the Management Board and application thereof with regard to the desired standards of corporate governance
- (iii) ensuring the disclosure to the Supervisory Board of the remuneration of the Management Board resulting from an implementation of the remuneration policy
- (iv) each year, submitting a self-assessment in the form of an annual report of its performance to be included as part of the Supervisory Board's annual report and to be presented at the Ordinary General Meeting of Shareholders.

The Remunerations Committee is composed of the following members: Messrs. António José Santos Silva Casanova (Chairman), Eduardo Aguinaga and Janusz Lisowski.

The rules governing the operations of both committees are regulated in detail in Section VII of the Supervisory Board Rules available at the following address:

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

General Shareholders' Meeting

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

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

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

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

within their discretion and to the extent necessary for the resolution of matters discussed in the Meeting.

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

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

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

7.4 Discussion of Amendments to Issuer's Statutes

A resolution adopted by the Shareholders' Meeting concerning amendments to the Statutes must be preceded by an appraisal issued by the Company's Supervisory Board. Amendments to the provisions of the Statutes which consist in material changes to the subject matter of the Company's business operations without share buyout from shareholders who do not consent to the amendments requires that the resolution of the General Shareholders' Meeting be adopted by the majority of $\frac{3}{4}$ votes cast in the presence of shareholders who represent at least 50% of the Company's share capital.

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

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

7.5 Discussion of Premises for Appointing and Recalling Management Staff and Their Entitlements - in particular Right to Take Decisions on Share Issue or Buyout

Pursuant to § 9 Sec. 1 and 2 of the Articles of Association, the Management Board consists of 2 to 10 members appointed by the Supervisory Board for an individual three-year term of office. The number of members on the Management Board is determined by the Supervisory Board. The Supervisory Board also appoints one member of the Management Board as President of the Management Board by way of resolution. Any Management Board member may be recalled from office by way of a resolution adopted by the Supervisory Board or the General Shareholders' Meeting of the Company.

The scope of activities of the Management Board includes any and all affairs of the Company not reserved for the powers of the General Shareholders' Meeting and the Supervisory Board. The range of powers of the General Shareholders' Meeting and the scope of powers of the Supervisory Board are defined in Point 7.3 of the Report. The Management Board manages the affairs of the Company and represents the Company externally.

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

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

7.6 Information on Employee Shares Control System

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

No.	Legal Basis	Number and Class of Eurocash Shares	Determined or Projected* Issue Price	Option Exercise Date
1.	Resolution No. 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 2011 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 2011 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)	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

7.7 Forecasted Costs Connected with Incentive Schemes Introduced

Costs connected with employee incentive schemes based on the issue of Eurocash S.A. (the "Company") shares are calculated by the Company throughout the rights acquisition period and depreciated monthly. The fair value of options is established on the basis of the Black-Scholes-Merton model.

According to the model, the value of options is calculated in line with the following parameters:

- **Grant date:** For incentive schemes based on the issue of 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 amounted to PLN 7 090 345, while in 2012 PLN 502 317 25.

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

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

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

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

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

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

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

The annual program of the planned internal audits is developed on the basis of the risk assessment of business processes carried out by the Internal Audit Director in cooperation with the Management Board of the Controlling Entity. The planned audits are supplemented by ad hoc audits carried out at the request of the Management Board of the Controlling Entity as well as review audits concerning recommendations for enhanced control mechanisms across the Group.

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

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

8. Representations of the Management Board

8.1 Accuracy and Reliability of Reports Presented

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

- the consolidated annual financial statements for the Eurocash S.A. capital group and comparative data were drawn up in accordance with the applicable accounting principles and give, diligent, and transparent view of the economic and financial position of the Eurocash Group and of its financial performance for 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.

8.2 Appointment of Entity Qualified to Audit Financial Statements

The members of the Management Board of Eurocash S.A. represent that KPMG Audyt Sp. z o.o., the entity qualified to audit financial statements which audited the annual consolidated financial statements of the Eurocash Group was appointed in line with the applicable laws and regulations. The entity and the auditors involved met the criteria to formulate an impartial and independent opinion on the audit of the annual consolidated financial reports in line with the applicable provisions of law and professional standards.

APPENDIX A: Financial Ratios Definitions

Gross profit margin on sales:	ratio of gross sales margin to net sales revenues
EBITDA margin:	ratio of EBITDA (operating profit plus depreciation) to net sales revenues
Operating profit margin:	ratio of operating profit (EBIT) to net sales revenue
Net profit margin on sales:	ratio of net profit to net sales revenue
Inventories turnover:	the ratio of balance of stock at the end of period to net sales for period multiplied by the number of days in the period
Trade receivables turnover:	the ratio of balance of trade receivables at the end of period to net sales for period multiplied by the number of days in the period
Trade liabilities turnover:	the ratio of balance of trade liabilities at end of period to costs of goods sold for period multiplied by the number of days in the period
Operating cycle:	the sum of stock turnover and receivables turnover
Cash conversion cycle:	the difference between operating cycle and liabilities turnover

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part B

**Selected separate
financial data**



SELECTED SEPARATE FINANCIAL DATA

	for the period from 01.01.2013 to 31.12.2013 PLN	for the period from 01.01.2012 to 31.12.2012 PLN	for the period from 01.01.2013 to 31.12.2013 EUR	for the period from 01.01.2012 to 31.12.2012 EUR
Net sales	7 460 845 452	6 324 806 918	1 777 449 780	1 511 303 923
Operating profit (loss)	125 413 158	108 026 701	29 878 060	25 812 832
Profit (loss) before tax	101 162 927	136 357 638	24 100 757	32 582 470
Net Profit (loss) on continued operations	90 921 243	145 208 702	21 660 808	34 697 420
Net profit (loss)	90 921 243	145 208 702	21 660 808	34 697 420
Net operating cash flow	353 449 721	180 373 350	84 204 817	43 099 964
Net investment cash flow	(448 473 192)	61 246 461	(106 842 928)	14 634 758
Net financial cash flow	77 788 138	(384 244 073)	18 532 016	(91 814 593)
Net change in cash and cash equivalents	(17 235 333)	(142 624 262)	(4 106 095)	(34 079 871)
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)	0,66	1,05	0,16	0,25
Diluted EPS (in PLN / EUR)	0,66	1,05	0,16	0,25
Average PLN / EUR rate*			4,1975	4,1850
	as at 31.12.2013 PLN	as at 31.12.2012 PLN	as at 31.12.2013 EUR	as at 31.12.2012 EUR
Assets	4 412 294 365	2 936 852 214	1 063 921 288	718 372 930
Long-term liabilities	242 579 840	491 243 883	58 492 438	120 161 412
Short-term liabilities	3 722 715 909	1 968 592 696	897 645 618	481 530 428
Equity	446 998 616	477 015 634	107 783 231	116 681 091
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)	3,23	3,46	0,78	0,85
Diluted book value per share (in PLN / EUR)	3,20	3,43	0,77	0,84
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.

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

The opinion contains 3 pages
The supplementary report contains 11 pages
Opinion of the independent auditor
and supplementary report on the audit
of the separate 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 of Eurocash S.A.

Opinion on the Separate Financial Statements

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

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

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

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these separate financial statements and whether the separate financial statements are derived from properly maintained accounting records 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 financial statements and the accounting records from which they are derived are free of material misstatements.

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

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

Opinion

In our opinion, the accompanying separate financial statements of Eurocash S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2013 and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Company's articles of association that apply to the Company's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Company's Activities

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

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

Signed on the Polish original

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

28 March 2014

part D

Auditor's report



part D

Auditor's report



part E

Separate financial statements



EUROCASH S.A.

SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

TRANSLATORS' EXPLANATORY NOTE

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

KOMORNIKI, 28 March 2014

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2013</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All values are expressed in Polish zloty (unless indicated otherwise)</i>		

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<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

GENERAL INFORMATION

1. INFORMATION ABOUT THE COMPANY

NAME

EUROCASH Spółka Akcyjna ("Company")

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Non-specialized wholesale trade
(PKD 4690Z)

REGISTRY COURT

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

PERIOD FOR WHICH THE COMPANY WAS ESTABLISHED

Indefinite

PERIOD COVERED BY THE FINANCIAL STATEMENTS

The reporting period started 1 January 2013 and ended 31 December 2013 and comparable 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. BOARDS OF THE COMPANY

2.1. MANAGEMENT BOARD OF THE PARENT ENTITY

As at 31 December 2013, the Company's Management Board consisted of the following members:

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2013</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All values are expressed in Polish zloty (unless indicated otherwise)</i>		

2.2. SUPERVISORY BOARD OF THE PARENT ENTITY

As at 31 December 2013, the Company's Supervisory Board consisted of the following members:

João Borges de Assunção – President of the Supervisory Board,
Eduardo Aguinaga de Moraes – Member of the Supervisory Board,
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.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE INCOME STATEMENT FOR THE PERIOD FROM 01.01.2013 TO 31.12.2013

		Year for the period from 01.01.2013 Note to 31.12.2013	Year for the period from 01.01.2012 to 31.12.2012
Sales		7 460 845 452	6 324 806 918
Sales of goods	24	7 012 994 567	6 018 992 197
Sales of services	24	447 850 885	305 814 721
Costs of sales		(6 664 161 041)	(5 641 374 795)
Costs of goods sold		(6 648 171 838)	(5 626 359 990)
Costs of services sold	25	(15 989 203)	(15 014 805)
Gross profit (loss)		796 684 411	683 432 123
Selling expenses	25	(492 879 635)	(405 739 309)
General and administrative expenses	25	(163 365 013)	(143 113 504)
Profit (loss) on sales		140 439 763	134 579 309
Other operating income	26	24 176 889	18 650 527
Other operating expenses	26	(39 203 494)	(45 203 135)
Operating profit (loss)		125 413 158	108 026 701
Financial income	27	53 020 275	147 122 480
Financial costs	27	(77 270 505)	(118 791 543)
Profit (loss) before income tax		101 162 927	136 357 638
Income tax expense	21	(10 241 684)	8 851 064
Profit (loss) for the period		90 921 243	145 208 702

NET EARNINGS PER SHARE

		PLN / share	PLN / share
Net profit (loss)		90 921 243	145 208 702
Weighted average number of shares	28	138 188 296	137 921 774
Weighted average diluted number of shares	28	138 721 946	138 875 685
- basic	28	0,66	1,05
- diluted	28	0,66	1,05

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01.2013 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	90 921 243	145 208 702
Other comprehensive income (loss) for the period	-	-
Total comprehensive income (loss) for the period	90 921 243	145 208 702

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31.12.2013

	Note	as at 31.12.2013	as at 31.12.2012
<i>Assets</i>			
Non-current assets (long-term)		2 745 242 746	2 023 154 086
Goodwill	2	322 376 996	96 024 468
Intangible assets	2	360 796 349	28 242 366
Property, plant and equipment	3	264 338 577	173 869 191
Investments in subsidiary companies	5	1 715 725 823	1 647 303 080
Investments in equity investees	6	43 766 081	43 766 081
Other long-term investments	7	748 590	748 590
Long-term receivables	8	4 735 173	1 888 615
Deferred tax assets	22	32 463 190	28 830 753
Other long-term prepayments	23	291 967	2 480 942
Current assets (short-term)		1 667 051 620	913 698 128
Inventories	9	664 661 454	352 493 460
Trade receivables	10	795 852 907	428 034 707
Current tax assets	10	8 095 052	10 814 392
Other short-term receivables	10	119 425 210	30 593 902
Other short-term investments	11	3 004 065	3 102 588
Short-term prepayments	12	9 219 236	4 630 051
Cash and cash equivalents	13	39 548 147	56 783 480
Fixed assets classified as held for sale	14	27 245 549	27 245 549
Total assets		4 412 294 365	2 936 852 214

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31.12.2013

	Note	as at 31.12.2013	as at 31.12.2012
<i>Equity and liabilities</i>			
Equity		446 998 616	477 015 634
Share capital	15	138 427 636	137 976 536
Reserve capital		217 015 492	185 352 771
Hedging reserve		(4 645 000)	(4 645 000)
Retained earnings		96 200 488	158 331 327
Accumulated profit (loss) from previous years		5 279 245	13 122 625
Profit (loss) for the period		90 921 243	145 208 702
Liabilities		3 965 295 749	2 459 836 580
Non-current liabilities		242 579 840	491 243 883
Long-term loans and borrowings	19	85 893 892	473 744 879
Other long-term financial liabilities	20	154 267 086	16 375 105
Other long-term liabilities	18	250 000	-
Employee benefits	17	2 168 861	1 123 899
Current liabilities		3 722 715 909	1 968 592 696
Loans and borrowings	19	1 227 699 721	716 262 712
Short-term financial liabilities	20	27 314 687	32 130 384
Trade liabilities	18	1 976 151 567	1 147 078 022
Other short-term payables	18	420 746 364	29 948 780
Current employee benefits	17	32 476 063	12 804 433
Provisions	17	38 327 508	30 368 366
Total equity and liabilities		4 412 294 365	2 936 852 214

BOOK VALUE PER SHARE AS AT 31 DECEMBER 2013

		as at 31.12.2013	as at 31.12.2012
Book value		446 998 616	477 015 634
Number of shares		138 427 636	137 976 536
Diluted number of shares		139 577 136	138 909 011
Book value per share	29	3,23	3,46
Diluted book value per share	29	3,20	3,43

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01.2013 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>Cash flow from operating activities</i>		
Profit (loss) before income tax	101 162 927	136 357 638
Adjustments for:	92 120 810	25 809 260
Depreciation and amortization	58 563 446	51 835 419
Equity-settled shared share-based payment transactions	7 090 345	502 317
(Gain) loss on sale of property, plant and equipment	676 586	5 744 980
Interest expenses	73 206 998	105 653 118
Interest received	(1 904 172)	(6 718 439)
Dividend income	(45 512 394)	(131 208 136)
Operating cash before changes in working capital	193 283 737	162 166 898
Changes in inventories	(93 430 838)	(32 365 853)
Changes in receivables	(232 848 132)	(30 885 468)
Changes in payables	499 669 775	100 839 548
Changes in provisions and employee benefits	10 728 930	(3 665 393)
Other adjustments	(59 561)	2 469 360
Operating cash	377 343 911	198 559 093
Interest received	1 534 122	1 628 713
Interest paid	(14 271 092)	(10 244 746)
Income tax paid	(11 157 220)	(9 569 710)
Net cash from operating activities	353 449 721	180 373 350
<i>Cash flow from investing activities</i>		
Acquisition of intangible assets	(13 530 344)	(11 582 376)
Acquisition of property, plant and equipment	(89 810 151)	(70 925 291)
Proceeds from sale of property, plant and equipment	3 426 514	22 698 455
Acquisition of subsidiaries, net of cash acquired	(394 496 220)	-
Acquisition of associates	-	(15 156 000)
Loans granted	(74 300 000)	(99 111 639)
Repayment received of granted loans	74 300 000	99 111 639
Interest received	424 615	5 003 538
Dividends received	45 512 394	131 208 136
Net cash used in investing activities	(448 473 192)	61 246 461
<i>Cash flows from financing activities</i>		
Proceeds from issue of share capital	4 280 215	8 924 777
Cash outflows for other financial liabilities	(3 264 313)	(4 391 696)
Issue of debt securities	140 000 000	-
Proceeds from loans and borrowings	768 425 113	457 564 038
Repayment of borrowings	(642 809 580)	(724 483 090)
Payment of finance lease liabilities	(4 044 912)	(5 466 033)
Other interests	(8 692 306)	(2 780 815)
Interests on loans and borrowings	(51 640 637)	(88 815 473)
Dividends paid	(124 465 442)	(24 795 780)
Net cash used in financing activities	77 788 138	(384 244 073)
Net change in cash and cash equivalents	(17 235 333)	(142 624 262)
Cash and cash equivalents at the beginning of the period	56 783 480	199 407 742
Cash and cash equivalents at the end of the period	39 548 147	56 783 480

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 01.01.2013 TO 31.12.2013

	Share capital	Reserve capital	Hedge reserve	Retained earnings	Total
<i>Changes in equity in the period from 01.01 to 31.12.2012</i>					
Balance as at 1 January 2012	136 983 011	136 928 348	(4 645 000)	77 909 260	347 175 620
Total comprehensive income for the reporting period	-	-	-	-	-
Profit for the period from 1 January to 31 December 2012	-	-	-	145 208 702	145 208 702
Total comprehensive income for the period from 01.01 to 31.12.2012	-	-	-	145 208 702	145 208 702
Dividends	-	-	-	(24 795 780)	(24 795 780)
Transfer to reserve capital	-	39 990 854	-	(39 990 854)	-
Equity-settled share based payment transactions	-	502 317	-	-	502 317
Share options exercised	993 525	7 931 252	-	-	8 924 777
Total transaction with Owners of the Company recognized directly in equity	993 525	48 424 423	-	(64 786 635)	(15 368 687)
Balance as at 31.12.2012	137 976 536	185 352 771	(4 645 000)	158 331 327	477 015 634
<i>Changes in equity in the period from 01.01. to 31.12.2013</i>					
Balance as at 01 January 2013	137 976 536	185 352 771	(4 645 000)	158 331 327	477 015 634
Total comprehensive income for the reporting period	-	-	-	-	-
Profit for the period from 01.01. to 31.12.2013	-	-	-	90 921 243	90 921 243
Total comprehensive income for the period from 01.01. to 31.12.2013	-	-	-	90 921 243	90 921 243
Dividends	-	-	-	(124 465 442)	(124 465 442)
Transfer to reserve capital	-	20 743 259	-	(20 743 259)	-
Equity-settled share based payment transactions	-	7 090 345	-	-	7 090 345
Share options exercised	451 100	3 829 116	-	-	4 280 216
Adjustment of retained earnings - transfer to the acquisition	-	-	-	(7 840 942)	(7 840 942)
Other	-	-	-	(2 438)	(2 438)
Total transaction with Owners of the Company recognized directly in equity	451 100	31 662 721	-	(153 052 082)	(120 938 261)
Balance as at 31.12.2013	138 427 636	217 015 492	(4 645 000)	96 200 488	446 998 616

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SUPPLEMENTARY INFORMATION TO SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2013 TO 31.12.2013

1. GENERAL INFORMATION

1.1. ISSUE OF THE FINANCIAL STATEMENT

According to the resolution of the Management Board dated 28 March 2014, separate financial statements of Eurocash S.A. 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. releases its separate financial statements for publication on 28 March 2014.

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

1.2. STATEMENT OF COMPLIANCE

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

While drafting these separate financial statements the Company did not apply any of the new Standards and Interpretations, which had already been published and approved by the European Union but were not yet effective for the year ended 31 December 2013. Moreover, the Company has not yet completed its study of a possible impact of those new Standards and Interpretations on the separate financial statements drafted for the period in which the new Standards and Interpretations will be applied for the first time.

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

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 Company 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 Company 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 Company for the period in which they will be applied for the first time.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 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 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 27 (amended in 2011) "Separate Financial Statements", 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 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 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>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

The impact of new regulations on the Company'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 Company. 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 Company.

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

1.4. FUNCTIONAL AND PRESENTATION CURRENCY. ROUNDINGS

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

1.5. USE OF ESTIMATES AND JUDGMENTS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revised accounting estimates are recognized in the current period and in any future periods affected. The most significant estimates are related to allocation of the acquisition price of the companies, impairment of assets and reserves, which are described in Note 4 and 17.

1.6. COMPARABILITY OF FINANCIAL STATEMENTS

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

1.7. INFORMATION ABOUT PARENT ENTITY, CAPITAL GROUP AND ASSOCIATES

Eurocash S.A. Group is comprised of Eurocash S.A. and its subsidiary companies: 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., Pol Cater Holding Sp. z o.o., Dania Fast Food Sp. z o.o., Euro Sklep S.A., Tradis Sp. z o.o., DEF Sp. z o.o., Ambra Sp. z o.o., Lewiatan Podlasie Sp. z o.o., Lewiatan Śląsk Sp. z o.o., Partnerski Serwis Detaliczny S.A., Lewiatan Zachód Sp. z o.o., Lewiatan Północ Sp. z o.o., Drogerie Koliber Sp. z o.o., Lewiatan Holding S.A., Lewiatan Opole Sp. z o.o., Lewiatan Wielkopolska Sp. z o.o., Lewiatan Kujawy Sp. z o.o., Lewiatan Orbita Sp. z o.o., Gama Serwis Sp. z o.o., Eurocash

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Detal Sp. z o.o., Lewiatan Podkarpacie Sp. z o.o., Gama Detal Sp. z o.o. The associates are PayUp Polska S.A. and Fundusz Inwestycyjny Zamknięty RE Income.

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

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

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

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1.8. GOING CONCERN ASSUMPTION

The financial statements were prepared under the assumption that the Company continues to operate as a going concern for the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. ACCOUNTING POLICIES

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

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

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

2.2. REPORTING PERIOD

The calendar year is the Company's fiscal year.

2.3. FORMAT AND CONTENT OF SEPARATE FINANCIAL STATEMENTS

In particular, the separate financial statements are comprised of:

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

2.4. FOREIGN CURRENCY TRANSACTIONS

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

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

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

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

2.5. INTANGIBLE ASSETS

Definition

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

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

Subsequent expenditure

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

Amortization

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

The following amortization rates are adopted for intangible assets:

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

Eurocash recognizes marks "Eurocash", "abc" and "Batna" as recognizable on the market and plans to use them in the activity for a long time. Therefore, the Company assumes that the useful life of trademarks "Eurocash", "abc" and "Batna" is indefinite and not subject to amortization. Trademarks "Eurocash", "abc" and "Batna" subject to an annual impairment test.

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Review of amortization rates and possible impairment

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

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

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

Measurement of intangible assets as at the reporting date

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

2.6. PROPERTY, PLANT AND EQUIPMENT

Definition

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

Property, plant and equipment shall include in particular:

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

Initial measurement of tangible fixed assets

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

The acquisition cost includes expenditures directly attributable to the acquisition of the assets and any other costs directly attributable to ensuring that the assets are in a working condition for their intended use, including transport, loading, discharging, storage and market introduction costs, minus rebates, discounts, and other similar price reductions and refunds. When it is not possible to determine the acquisition cost of an asset, in particular when the asset is received free of charge or donated, its value is determined based on the selling price of an identical or similar item i.e. its fair value.

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

- non-deductible VAT and excise duty
- costs of obligations incurred for financing the asset together with the exchange rate differentials, decreased by revenues earned

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- if required – an estimation of costs of dismantling and removing the items and restoring the site where they are located.

Subsequent expenditure

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

Depreciation

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

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

Depreciation commences in the month in which the asset was introduced for use.

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

Review of depreciation rates and possible impairment

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

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

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

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

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

Stocktaking of tangible fixed assets

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

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2.7. BORROWING COSTS

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

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

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

2.8. LEASE CONTRACTS

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

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

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

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

Depreciation methods applied to leased assets are consistent with the accounting policies applied to the Company's own assets, specified in the points 2.5 and 2.6. If there is no reasonable guarantee that the lessee will obtain ownership over the asset by the end of the lease term, the asset is depreciated over a shorter of the following periods: duration of the lease contract or useful economic life of the asset.

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

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

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

2.9. INVESTMENT PROPERTY

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

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

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2.10. SHARES IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES

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

2.11. LONG-TERM RECEIVABLES

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

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

Measurement of long-term receivables

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

2.12. LONG-TERM PREPAYMENTS

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 prepayments, there are classified e.g.:

- Alcohol licences
- Licenses – software
- Advisory services

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

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

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

This situation takes place if the following conditions are fulfilled:

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

Intangible and tangible fixed assets classified as assets for sale or issue is not amortized. In addition, after the classification of investments valued at equity method to assets available for sale or issue, the equity method does no longer effective.

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2.14. INVENTORIES

Inventories are assets:

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

Initial measurement

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

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

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

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

Measurement of inventories as at the reporting date

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

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

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

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

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

2.15. NON DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Financial assets are classified into the following categories:

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

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

(a) Financial assets held-to-maturity

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

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

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

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

(b) Loans and receivables

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

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

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

Loans and receivables comprise trade receivables and other receivables

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

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

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

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

Financial liabilities

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

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

2.16. DERIVATIVES

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

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

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

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

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

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

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

Cash flow hedge

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

Other non-trading derivatives

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

2.17. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables

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

Other short-term receivables

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

Measurement of trade receivables and other receivables at the reporting date

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

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

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

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

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

Bad debts allowance

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

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

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

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

2.18. CASH AND CASH EQUIVALENTS

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

2.19. SHORT-TERM PREPAYMENTS

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

Short-term prepayments include mainly:

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

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2.20. IMPAIRMENT

Financial assets (including receivables)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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2.21. EQUITY

Ordinary shares

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

Repurchase of treasury shares

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

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

2.22. LONG-TERM LIABILITIES

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

Long-term liabilities include mainly:

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

Measurement of long-term liabilities

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

Measurement of long-term liabilities denominated in foreign currency

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

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

2.23. SHORT-TERM LIABILITIES

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

Short-term liabilities include mainly:

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

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Measurement of the short-term liabilities

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

Measurement of short-term liabilities denominated in foreign currency

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

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

2.24. LOANS

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

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

2.25. PROVISIONS

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

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

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

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

2.26. SALES

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

Goods sold

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

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

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Services

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

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

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

2.27. FINANCE INCOME AND COSTS

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

Interest income

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

Dividend income

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

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

2.28. EMPLOYEE BENEFITS

Long-term employee benefits

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

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

Short-term employee benefits

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

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

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pay this amount as a result of a past service provided by the employee, and the obligation can be estimated reliably.

2.29. SHARE-BASED PAYMENT TRANSACTIONS

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

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

2.30. INCOME TAX

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

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

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

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

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively

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

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

2.31. DISCONTINUED OPERATIONS

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

2.32. EARNINGS PER SHARE

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

2.33. MERGERS OF JOINTLY CONTROLLED ENTITIES

Acquired assets and liabilities connected with merger of companies under joint control of a shareholder which at the same time controls the Company are presents in accounting values in the consolidated financial statements of Eurocash S.A. Group.

2.34. OPERATING SEGMENTS

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

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3. NOTES TO SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2013 TO 31.12.2013

NOTE 1. THE ACQUISITION OF AN ORGANIZED PART OF A COMPANY

General Information

On 1 October 2013 Eurocash S.A. acquired from a subsidiary Premium Distributors Sp. z o.o. the enterprise including structured set of tangible and intangible assets designed to conduct the activity in the wholesale and retail sale of alcoholic and non-alcoholic beverages.

Settlement of acquisition

These separate financial statements include the cost of acquisition of organized part of a company from subsidiary Premium Distributors Sp. z o.o. by the company Eurocash S.A. Due to the fact that the Company holds directly and indirectly, a total of 100 % of the shares of Premium Distributors Sp. z o.o. the purchase of an organized part of a company was settled in these separate financial statements as a transaction under common control. As a result, acquired ingredients of Premium Distributors Sp. z o.o. were included at book value contained in the consolidated financial statements Eurocash Group on 1 October 2013 transactions connected with this company are presents in separate income statement form 1 October 2013.

Table no 1

ACQUISITION COST

	as at 01.10.2013
Cash	425 000 000

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

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Table no 2

NET ASSETS ACQUIRED

**Value before
restatement as
at 01.10.2013**

<i>Assets</i>	
Non-current assets (long-term)	
Goodwill	226 352 528
Other intangible fixed assets	36 821 730
Tangible fixed assets	38 099 252
Investments in subsidiary companies	63 547 309
Long-term receivables	18 724
Inventory	218 737 155
Trade receivables	225 981 761
Other short-term receivables	637 093
Short-term prepayments	1 229 968
Cash and cash equivalents	30 503 780
Total assets	841 929 300
Accumulated profit (loss) from previous years	7 840 942
Other long-term financial liabilities	(196 293)
Employee benefits	(1 044 962)
Other short-term financial liabilities	(27 996)
Trade liabilities	(407 510 147)
Other short-term liabilities	(1 021 621)
Current employee benefits	(6 501 479)
Other short-term provisions	(8 467 743)
Total liabilities	(416 929 300)
Acquisition cost	425 000 000

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NOTE 2.

Table no 3

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2013

	Goodwill	Patents and licences	Know how	Trademarks	Relacje z klientami	Other intangible fixed assets	Advances	Total
Carrying amount as at 01.01.2012	96 024 468	9 923 179	14 532 823	4 319 000	-	2 689 284	-	127 488 754
Other acquisitions	-	11 622 863	-	-	-	5 500	-	11 628 363
Depreciation	-	(7 109 191)	(5 449 808)	(1 234 000)	-	(1 057 283)	-	(14 850 282)
Carrying amount as at 31.12.2012	96 024 468	14 436 850	9 083 015	3 085 000	-	1 637 501	-	124 266 834
Carrying amount as at 01.01.2013	96 024 468	14 436 850	9 083 015	3 085 000	-	1 637 501	-	124 266 834
Acquisition due to merger of enterprises	226 352 528	2 398 771	-	-	34 422 960	-	-	263 174 258
Other acquisitions	-	13 405 207	-	299 576 652	-	-	-	312 981 858
Advances	-	-	-	-	-	-	245 880	245 880
Depreciation	-	(9 074 655)	(5 449 808)	(1 350 423)	(860 574)	(917 365)	-	(17 652 825)
Other changes	-	-	-	-	-	157 338	-	157 338
Carrying amount as at 31.12.2013	322 376 996	21 166 173	3 633 207	301 311 229	33 562 386	877 474	245 880	683 173 344

Table no 3

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013 (continued)

	Goodwill	Patents and licences	Know how	Trademarks	Relacje z klientami	Other intangible fixed assets	Advances	Total
As at 01.01.2013								
Cost	96 024 468	51 331 981	54 498 079	12 340 000	-	11 867 325	-	226 061 854
Accumulated amortisation and impairment losses	-	(36 895 131)	(45 415 064)	(9 255 000)	-	(10 229 824)	-	(101 795 019)
Carrying value	96 024 468	14 436 851	9 083 015	3 085 000	-	1 637 501	-	124 266 835
As at 31.12.2013								
Cost	322 376 996	67 135 959	54 498 079	311 916 652	34 422 960	12 024 663	245 880	802 621 189
Accumulated amortisation and impairment losses	-	(45 969 786)	(50 864 872)	(10 605 423)	(860 574)	(11 147 189)	-	(119 447 844)
Carrying value	322 376 996	21 166 173	3 633 207	301 311 229	33 562 386	877 474	245 880	683 173 345

Goodwill presented in intangible assets arose as a consequence of:

- acquisition of an organized part of "CARMENT, M. Stodółka i Wspólnicy Spółka Jawna" enterprise as at 16.08.2006 in amount of PLN 9.975.600

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- merger with Przedsiębiorstwo Handlowe Batna Sp. z o.o. as at 01.07.2010 in amount of PLN 29.180.412 PLN
- merger with Eurocash Dystrybucja Sp. z o.o. as at 01.09.2010 in amount of PLN 56.868.456 PLN
- acquisition of organized part of an enterprise of Premium Distributors Sp. z o.o. as at 01.10.2013 in amount of PLN 226.352.528 PLN

The Company has the following trademarks with indefinite using period, which were acquired in 2013 from a subsidiary KDWT Spółka Akcyjna Spółka komandytowo-akcyjna:

- a) the trademark "Eurocash" with a book value of PLN 179,000,000,
- b) the trademark "abc" with a book value of PLN 110,000,000,
- d) the trademark "Batna" with a book value of PLN 10,000,000.

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

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

Amortization of intangible assets is recognized as selling expenses.

The Company did not recognize any impairment losses in relation to intangible assets what is expanded in Note 4.

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NOTE 3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are presented below:

Table no 4

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

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Carrying amount as at 01.01.2012	88 635 367	29 573 664	18 978 772	35 583 679	11 418 135	184 189 618
Other acquisitions	31 521 707	15 869 574	2 814 898	13 167 904	14 133 520	77 507 602
Increases due to the transfer of fixed assets under construction	6 451 365	656 301	1 180	1 916 377	(9 025 222)	-
Finance lease	-	-	1 708 225	-	-	1 708 225
Disposals	(3 881 546)	(10 905 028)	(5 198 267)	(2 937)	(2 497 924)	(22 485 702)
Liquidations	(42 510)	-	(520 477)	(58 078)	-	(621 065)
Reclassification to assets held for sale	(27 245 549)	-	-	-	-	(27 245 549)
Depreciation	(10 498 907)	(6 023 342)	(5 504 540)	(14 958 347)	-	(36 985 137)
Other changes	624 223	(1 992 035)	(76 459)	851 163	(1 605 693)	(2 198 801)
Carrying amount as at 31.12.2012	85 564 150	27 179 134	12 203 331	36 499 761	12 422 816	173 869 191
Carrying amount as at 01.01.2013	85 564 150	27 179 134	12 203 331	36 499 761	12 422 816	173 869 191
Acquisition due to merger of enterprises	25 339 946	2 030 243	8 927 326	1 801 737	-	38 099 252
Other acquisitions	5 883 210	17 152 591	599 056	18 280 472	56 827 831	98 743 159
Increases due to the transfer of fixed assets under construction	23 081 930	502 053	-	1 488 462	(25 928 156)	(855 711)
Finance lease	-	-	855 711	-	-	855 711
Disposals	(68 868)	(216 389)	(269 961)	(75 970)	(2 797 252)	(3 428 440)
Liquidations	(303 524)	(50 780)	(155 978)	(57 602)	(61 500)	(629 384)
Depreciation	(12 759 871)	(7 866 527)	(4 142 774)	(16 141 449)	-	(40 910 621)
Other changes	2 735 103	(27)	(2 196)	(2 788 066)	(1 349 393)	(1 404 579)
Carrying amount as at 31.12.2013	129 472 076	38 730 297	18 014 514	39 007 345	39 114 344	264 338 577

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Table no 4

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 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	154 086 507	77 776 411	58 314 036	121 953 921	12 422 816	424 553 690
Accumulated amortisation and impairment losses	(68 522 357)	(50 597 278)	(46 110 705)	(85 454 160)	-	(250 684 500)
Carrying amount	85 564 150	27 179 134	12 203 331	36 499 761	12 422 816	173 869 191
<i>As at 31.12.2013</i>						
Cost	210 754 304	97 194 102	68 267 993	140 602 954	39 114 344	555 933 698
Accumulated amortisation and impairment losses	(81 282 228)	(58 463 805)	(50 253 479)	(101 595 609)	-	(291 595 121)
Carrying amount	129 472 076	38 730 297	18 014 514	39 007 345	39 114 344	264 338 577

Property, plant and equipment under finance lease

The Company uses land, vehicles, and forklift trucks under finance lease. According to lease agreements, the Company has the right to buy assets after the termination of the agreed term of lease for a price stated in the agreement or to continue using the leased property under a new lease contract signed with the financing institution. The price is the difference between the value of the leased property repaid immediately and the value of the capital repaid in lease instalments. As at the end of the reporting period, the carrying amount of tangible fixed assets under finance lease was PLN 16.373.526 (31.12.2012: PLN 20.736.343), and the amount payable to the lessor in this respect amounted to PLN 17.015.118 (31.12.2012: PLN 20.674.521, respectively). The leased items are a property of the lessor (the financing institution) until they are acquired by the Company. Those assets are depreciated for tax purposes by the lessor.

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

Performance of lease agreements is secured against lease assets.

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NOTE 4. IMPAIRMENT TESTS OF INGREDIENTS ASSETS

As at 31 December 2013, the Company assessed whether there was any indication that assets may be impaired.

Analyses confirmed that it is not necessary to recognize impairment loss as at 31.12.2013.
A subsequent assessment is planned for 31.12.2014.

For intangible assets with indefinite useful period, the Company performed the following impairment tests:

- impairment test of the "Eurocash" trademark with a value PLN 179,000,000 as at 31.12.2013,
- impairment test of the "abc" trademark with a value PLN 110,000,000 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 2013 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 Company performed also the impairment tests in respect of goodwill:

- impairment test of goodwill on an acquisition of an organized part of enterprise: Carment M. Stodółka i Wspólnicy Spółka Jawna performed as at 31.12.2013.
The impairment test was performed with respect to the total value of goodwill with a value of PLN 9.975.600 arising from the acquisition of ZCP Carment by Eurocash S.A. Group.
- impairment test of goodwill arising from merger with Eurocash Dystrybucja Sp. z o.o. with a value of PLN 56.868.456 performed as at 31.12.2013.
- impairment test of goodwill arising from merger with Przedsiębiorstwo Handlowe Batna Sp. z o.o. with a value of PLN 29.180.412 performed as at 31.12.2013.
- impairment test of goodwill arising from merger with Premium Distributors Sp. z o.o. with a value of PLN 226.352.528 performed as at 31.12.2013.

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

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

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

For impairment tests for goodwill, recoverable amount was determined as the value in use of the tested cash-generating unit, based on financial projections for years 2014-2018, assuming no growth after the forecast period. To determine the values of selected projection ratios, historical data was used for years 2013 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 goodwill and its related type of business it was from 8,58% to 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 operations were estimated at about 50% of average sales generated by existing stores.

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

Analyses confirmed that it is not necessary to recognize impairment loss. The subsequent assessment is planned on 31.12.2014.

NOTE 5. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are presented below:

Table no 5

INVESTMENTS IN SUBSIDIARIES AS AT 31.12.2013

Subsidiary	Registered office	Percentage in share capital (in%)	Voting rights (in%)	Consolidation method
KDWT S.A.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
Eurocash Franczyza Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
Eurocash Trade 1 Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
Eurocash Trade 2 Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
KDWT Spółka Akcyjna Spółka Komandytowo - Akcyjna	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
Premium Distributors Sp. z o.o.	ul. Bokserska 66A 02-690 Warszawa	100%	100%	full
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full

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

Table no 5

INVESTMENTS IN SUBSIDIARIES AS AT 31.12.2013

Subsidiary	Registered office	Percentage in share capital (in%)	Voting rights (in%)	Consolidation method
Pol Cater Holding Sp. z o.o.	ul. Pass 20C, 05-870 Błonie	100%	100%	full
Dania Fast Food Sp. z o.o.	ul. Pass 20C, 05-870 Błonie	100%	100%	full
Euro Sklep S.A.	ul. Bystrzańska 94a, 43-309 Bielsko Biała	100%	100%	full
Tradis Sp. z o.o.	ul. Witosa 16, 20-315 Lublin	100%	100%	full
DEF Sp. z o.o.	ul. Handlowa 6, 15-399 Białystok	100%	100%	full
Ambra Sp. z o.o.	ul. Hutnicza 7, 43-502 Czechowice Dziedzice	100%	100%	full
Lewiatan Podlasie Sp. z o.o.	ul. Sokółska 9, 15-865 Białystok	100%	100%	full
Lewiatan Śląsk Sp. z o.o.	ul. Lenartowicza 39, 41-219 Sosnowiec	100%	100%	full
Partnerski Serwis Detaliczny S.A.	ul. Grażyny 15, 02-548 Warszawa	100%	100%	full
Lewiatan Zachód Sp. z o.o.	ul. Przemysłowa 5, 73-100 Stargard Szczeciński	100%	100%	full
Lewiatan Północ Sp. z o.o.	ul. Bysewska 30, 80-298 Gdańsk	100%	100%	full
Lewiatan Holding S.A.	ul. Kilińskiego 10, 87-800 Włocławek	66,61%	71,17%	full
Lewiatan Opole Sp. z o.o.	ul. Światowida 2, 45-325 Opole	100%	100%	full
Lewiatan Wielkopolska Sp. z o.o.	ul. Osiedle Winiary 54, 60-665 Poznań	81,43%	81,43%	full
Lewiatan Kujawy Sp. z o.o.	ul. Polna 4-8, 87-800 Włocławek	100%	100%	full
Lewiatan Orbita Sp. z o.o.	ul. Lubelska 33/15, 10-410 Olsztyn	100%	100%	full
Gama Serwis Sp. z o.o.	ul. Porosły 70, 16-070 Choroszcz	100%	100%	full

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

Table no 6

INVESTMENTS IN SUBSIDIARIES IN THE PERIOD FROM 01.01 TO 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Opening balance	1 647 303 080	1 655 904 660
Increase in reporting period:	68 422 743	661
acquisition of entities	4 875 433	-
purchase of an organized part of the enterprise	63 547 309	-
reclass	-	661
Other decrease	-	(8 602 241)
liquidation of a subsidiary Nasze Sklepy	-	(3 830 357)
sale of shares	-	(4 771 884)
Closeing balance	1 715 725 823	1 647 303 080

An increase in the value of investments in subsidiaries refers to buying 0,5% shares of Tradis from Eurocash Franczyza and to acquisition of the organized part of enterprise Premium Distributors Sp. z o.o..

NOTE 6. ACCOUNTING FOR INVESTMENTS IN ASSOCIATES

Investments in associates and joint ventures are presented below:

Table no 7

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2013

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

Table no 8

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Opening balance	43 766 081	23 710 081
Increase in reporting period:	-	20 056 000
acquisition of shares in joint ventures	-	20 056 000
Closeing balance	43 766 081	43 766 081

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

NOTE 7. OTHER LONG-TERM INVESTMENTS

Other investments are presented below:

Table no 9

OTHER LONG-TERM INVESTMENTS AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Loans granted to associates	748 590	748 590
	748 590	748 590

NOTE 8. LONG-TERM RECEIVABLES

Long-term receivables are presented below:

Table no 10

LONG-TERM RECEIVABLES AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Security deposits on rental agreements	1 413 738	1 201 615
Security deposits on marketing services	2 953 233	-
Other long-term receivables	368 202	687 000
	4 735 173	1 888 615

NOTE 9. INVENTORIES

Inventories are presented below:

Table no 11

INVENTORIES AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Merchandise	664 400 459	352 399 664
Materials	260 995	93 796
Total inventories, including:	664 661 454	352 493 460
- carrying amount of inventory deposits securing payments of liabilities	217 500 000	180 000 000

Table no 12

ALLOWANCES FOR INVENTORIES IN THE PERIOD FROM 01.01 TO 31.12.2013

	for the period od 01.01.2013 do 31.12.2013	for the period od 01.01.2012 do 31.12.2012
Opening balance	6 655 271	7 491 626
- increase in the allowance during the period	6 523 153	4 757 751
- write-offs during the period	(4 873 556)	(5 594 105)
Closing balance	8 304 868	6 655 271

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

NOTE 10. TRADE AND OTHER RECEIVABLES

Trade and other receivables are presented below:

Table no 13

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Trade receivables	795 852 907	428 034 707
Credit sales	439 060 463	200 219 659
Receivables from suppliers*	306 850 284	177 288 721
Factoring	24 566 656	27 830 969
Franchise fees	3 463 076	2 994 743
Other trade receivables	32 374 801	28 022 589
Allowance for trade bad debts	(10 462 373)	(8 321 973)
Current tax assets	8 095 052	10 814 392
Other receivables	119 425 210	30 593 902
VAT settlements	104 116 043	18 985 443
Receivables from sale of shares in subsidiaries	4 875 433	5 100 410
Receivables subject to legal proceedings	23 390 570	22 897 105
Receivables from subrental services	1 525 417	1 466 479
Receivables from employees	1 142 008	1 017 976
Receivables from sales fixed assets	2 495 243	2 539 541
Other receivables	4 220 340	1 007 171
Allowance for other bad debts	(22 339 845)	(22 420 224)
Total receivables, including:	923 373 169	469 443 001
- short-term	923 373 169	469 443 001

* These charges relate to transactions with suppliers, which, depending on the specifics of these transactions are recognized in the separate income statement as revenues from sales of services or reduces the value of goods sold

NOTE 11. OTHER SHORT-TERM INVESTMENTS

Other short-term investments are presented below:

Table no 14

OTHER SHORT-TERM INVESTMENTS AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Loans for associated companies	3 004 065	3 102 588
	3 004 065	3 102 588

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

NOTE 12. SHORT-TERM PREPAYMENTS

Short-term prepayments are presented below:

Table no 15

SHORT-TERM PREPAYMENTS AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Software	109 098	53 451
Alcohol licences	4 528 168	2 390 948
Rentals	516 702	1 107 613
Media	97 649	172 729
Insurances	841 302	194 500
Issuance of bonds	1 108 638	-
Interest on factoring	549 387	-
Other prepayments	1 468 292	710 809
Total short-term prepayments	9 219 236	4 630 051

NOTE 13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are presented below:

Table no 16

CASH AND CASH EQUIVALENTS AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Cash		
cash at bank	6 454 712	4 181 940
cash on hand	798 793	32 289
cash in transit	23 202 649	19 276 343
cash on deposits	9 086 993	33 287 907
money vouchers	5 000	5 001
Total cash	39 548 147	56 783 480

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

NOTE 14.
ASSETS CLASSIFIED AS HELD FOR SALE

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

Table no 17

ASSETS CLASSIFIED AS HELD FOR SALE AS AT 31.12.2013

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

NOTE 15.
SHARE CAPITAL

Share capital is presented below:

Table no 18

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

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

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SHAREHOLDING STRUCTURE

Tabela nr 19

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 20

CHANGES IN SHARE CAPITAL IN THE PERIOD FROM 01.01 TO 31.12.2013

	for the period od 01.01.2013 do 31.12.2013	for the period od 01.01.2012 do 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
Equity settled share-based payment transactions	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 hedged transactions.

Dividend

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

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

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

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NOTE 16. SHARE OPTIONS

Treasury shares options are presented below:

Table no 21

OPTIONS FOR SHARES IN THE PERIOD FROM 01.01 TO 31.12.2013

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

Authorized Employees may accept the offer to buy D series bonds not earlier than on the first working day of the period starting on 1 January 2010 and ending on 31 December 2012. During that period, the authorized employees may exercise their right to subscribe E series shares no later than on the third working day before the last day of the Third Period of Options Exercise by Employees.

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

The bonds are zero-interest bonds.

The issue price is PLN 0.01.

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

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

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

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

During the period from January 1, 2010 to December 31, 2010, 1,355,025 ordinary Series E shares were taken up; during the period from January 1, 2011 to December 31, 2011, 14,875 shares, and during the period from January 1, 2012 to December 31, 45.000 of such shares were taken up when Series D registered bonds were exercised. These shares were taken up at PLN 7.87 per share and the market price of Eurocash S.A. shares quoted at the Warsaw Stock Exchange ranged from PLN 15.50 to PLN 47.00 per share. The average share price during the period was PLN 29.22 per share.

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By December 31, 2012, 7.275 bonds authorizing to take up 181.875 shares were left unexercised. They could be exercised by the end of the Options Exercise Term, i.e. until December 31, 2012. On the December 31, 2012, subscription of the ordinary bearer shares of E series was ended.

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

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

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

The bonds are zero-interest bonds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The bonds are zero-interest bonds.

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

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

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

The final list of Persons Entitled to purchase the Series H Bonds was determined by resolution of the Board dated 27 November 2013.

Supervisory Board resolution of 27 November 2013 issue price of Series I Shares set at PLN 25,13.

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

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

By December 31, 2013, 7,900 Series H bonds authorizing to take up 197,500 Series I shares were left unexercised.

4. By the Resolution of the Annual General Meeting Eurocash S.A. No. 3 of November 26, 2012 on the Eighth, Ninth and Tenth Motivation and Reward Program for Employees for the years 2012, 2013 and 2014, it was decided to issue shares of Series M, Series N and O Series under the Motivation program for managers, executives and essential persons to the business of the Company and the Group Eurocash S.A.

The program is implemented in conjunction with the Company's intention to continue motivation programs for the earlier years for managers, executives essential persons to the business of the Company and the Group Eurocash and lay the foundations to enable outstanding employees to acquire shares in the Company as part of the premium.

The Company will issue a total of 102,000 registered bonds in three series:

- 34,000 registered Series I bonds with nominal value of PLN 0,01 each, with the right to subscribe and acquire 25 Series M shares with priority over the shareholders of the Company,
- 34,000 registered Series J bonds with nominal value of PLN 0,01 each, with the right to subscribe and acquire 25 Series N shares with priority over the shareholders of the Company,
- 34,000 registered Series K bonds with nominal value of PLN 0,01 each, with the right to subscribe and acquire 25 Series O shares with priority over the shareholders of the Company.

Bonds do not bear interest.

Persons entitled to purchase all or part of the Series I bonds be will only managers, executive officers and persons essential to the business of the Company and the Group Eurocash, employees performing their duties in a period of 3 years from 1 January 2012.

A list of qualified persons eligible to purchase Series I bonds has been approved by resolution No. 20 of the General Meeting on 20 May 2013.

The final list of persons qualified as Pre-Authorized to receive the Series I bonds will be determined by the Supervisory Board and will be approved by the Resolution of the General Meeting of Shareholders. To the date of these separate financial statements, a list of persons qualified as Pre-Authorized was not enacted. Final List of Eligible Persons will be determined by resolution of the Supervisory Board, and if it will include the persons awarded, will be further approved by the General Assembly, no later than 5 January 2015.

Persons entitled to purchase all or part of the Series J bonds be will only managers, executive officers and persons essential to the business of the Company and the Group Eurocash, employees performing their duties in a period of 3 years from 1 January 2013.

The list of pre-qualified persons eligible to purchase the Series J bonds was approved by resolution No. 21 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 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.

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Holders of the Series J Bonds shall be entitled to subscribe for and acquire Series M Shares in priority to shareholders of the Company for the period from 1 February 2016 to 31 January 2018.

Holders of the Series K Bonds shall be entitled to subscribe for and acquire Series M Shares in priority to shareholders of the Company for the period from 1 February 2017 to 31 January 2019.

The issue price per Series M Shares will amount to PLN 38.

The issue price of a share of Series N will be determined by the Board under the assumption that the value should be equal to PLN 38, adjusted for the rights associated with the shares. The issue price of the Series N will be announced in the current report no later than 21 days before the beginning of the ninth Exercise Period.

The issue price of a share of Series O will be determined by the Board under the assumption that the value should be equal to PLN 38, adjusted for the rights associated with the shares. The issue price of the Series O will be announced in the current report no later than 21 days before the beginning of the ninth Exercise Period.

The Company has valued the Incentive Program for the eighth series I 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 of series I bonds, giving the right to subscribe for 850,000 shares of series I.

Series J Bonds will be able to be offered through proposal to acquire (and thus the issuance of the Series J is reached, and consequently, Ninth Bonus Incentive Program for Employees for 2013 will be implemented) only in case of the total fulfillment of the following conditions:

- Approval by the Annual General Meeting of the Group's consolidated annual report for the year 2012,
- Achievements in 2013 by the Group Company's 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 reached, Ninth and Bonus Incentive Program for 2013 has not been implemented.

Series K Bonds will be able to be offered through 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 for the year 2013,
- Achievements in 2014 by the Group Company's 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 program valuation are presented below.

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Table no 22

OPTION VALUATION AS AT 31.12.2013

	3 program motywacyjny	4 program motywacyjny	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 separate income statement of the Company for 2013 amounted to PLN 7.090.345 (2012: PLN 502.317).

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NOTE 17. PROVISIONS AND ACCRUALS

Provisions and accruals are presented below:

Table no 23

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2010 TO 31.12.2013

	Provision for employee benefits	Accrual for agent's commissions	Accrual for costs of transport	Accrual for advertising costs
Provisions and accruals as at 01.01.2012	24 393 801	193 102	1 161 833	7 690 199
Increases	4 541 006	17 830 629	197 812 700	100 695 517
Decreases	(15 006 475)	(17 857 063)	(197 610 058)	(100 527 829)
Provisions and accruals as at 31.12.2012, including:	13 928 332	166 667	1 364 475	7 857 888
- short-term	12 804 433	166 667	1 364 475	7 857 888
- long-term	1 123 899	-	-	-
Provisions and accruals as at 01.01.2013	13 928 332	166 667	1 364 475	7 857 888
Increase due to joining of subsidiary	7 546 441	-	66 147	4 857 868
Increases	24 305 549	19 381 912	280 873 330	91 086 444
Decreases	(11 135 398)	(19 191 021)	(280 811 742)	(92 447 500)
Provisions and accruals as at 31.12.2013, including:	34 644 924	357 558	1 492 209	11 354 700
- short-term	32 476 063	357 558	1 492 209	11 354 700
- long-term	2 168 861	-	-	-

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Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 23

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2013 TO 31.12.2013 (continued)

	Accruals for costs of media	Other	Total
Provisions and accruals as at 01.01.2012	2 289 977	11 642 192	47 371 103
Increases	26 087 946	169 247 863	516 215 660
Decreases	(24 980 686)	(163 307 956)	(519 290 066)
Provisions and accruals as at 31.12.2012, including:	3 397 237	17 582 099	44 296 698
- short-term	3 397 237	17 582 099	43 172 799
- long-term	-	-	1 123 899
Provisions and accruals as at 01.01.2013	3 397 237	17 582 099	44 296 698
Increase due to joining of subsidiary	168 430	3 375 298	16 014 184
Increases	36 517 881	63 249 847	515 414 962
Decreases	(35 228 586)	(63 939 165)	(502 753 411)
Provisions and accruals as at 31.12.2013, including:	4 854 961	20 268 080	72 972 433
- short-term	4 854 961	20 268 080	70 803 572
- long-term	-	-	2 168 861

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

Table no 24

PROVISIONS AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Provision for employee benefits	34 644 924	13 928 332
Accrual for advertising costs	11 354 699	7 857 888
Accrual for agent's commissions	357 558	166 667
Accrual for costs of transport	1 492 209	1 364 475
Accrual for costs of media	4 854 961	3 397 237
Accrual for rental costs	938 806	1 449 881
Accrual for advisory and audit	1 507 186	1 358 025
Accruals for pallets	-	145 895
Accruals for litigations	2 502 792	1 001 807
Accruals for intrests	6 612 623	3 933 174
Other provisions and accruals	8 706 671	9 693 319
	72 972 432	44 296 698
- long-term	2 168 861	1 123 899
- short-term	70 803 571	43 172 799

Provisions and liabilities for employee benefits

Provisions and liabilities for employee benefits include provision for retirement benefits in the amount of PLN 2,244,100 (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 increase. The amount of PLN 2,168,861 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 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.

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NOTE 18.
TRADE AND OTHER PAYABLES

Trade and other payables are presented below:

Table no 25

TRADE AND OTHER PAYABLES AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Trade liabilities	1 976 151 567	1 147 078 022
Payables due to purchase of goods	1 882 116 078	1 104 322 001
Payables due to services received	94 035 488	42 756 021
Other payables	420 996 364	29 948 780
Liabilities due to purchased trade marks	367 770 000	-
Liabilities due to purchases of assets	23 015 675	15 701 992
Liabilities due to social securities	11 271 515	7 482 863
Liabilities due to purchases of assets	4 875 433	-
Liabilities due to taxes and insurances	2 967 138	2 086 534
Liabilities in relation to acquisitions	316 035	316 035
Other payables	10 780 568	4 361 356
Total liabilities, including:	2 397 147 930	1 177 026 801
- long-term	250 000	-
- short-term	2 396 897 930	1 177 026 801

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

NOTE 19. LOANS AND BORROWINGS

Loans and borrowings are presented below:

Table no 26

LOANS AND BORROWINGS AS AT 31.12.2013

	Credit destination	Liability amount	Interest rate	Costs for the period from 01.01.2013 to 31.12.2013
Credits		1 313 593 613		49 309 574
ING Bank Śląski S.A.	cash poll agreement	815 916 805	WIBOR + bank's margin	5 503 681
BRE Bank S.A.	Kredyt na finansowanie bieżącej działalności	49 050 056	WIBOR + bank's margin	6 770 776
ING Bank Śląski S.A.	Kredyt na finansowanie bieżącej działalności	128 358 286	WIBOR + bank's margin	9 298 454
BNP Paribas Bank	Kredyt na finansowanie bieżącej działalności	53 345 910	WIBOR + bank's margin	4 393 938
ING Bank Śląski S.A.	Investment short-term credit for the purchase of CEDC	-	WIBOR + bank's margin	5 427 786
ING Bank Śląski S.A. and Bank Zachodni WBK S.A.	Investment long-term credit for the purchase 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 purchase of Tradis	181 028 664	WIBOR + bank's margin	17 914 938
Loans		-		2 675 827
Eurocash S.A. Sp. Komandytowa	Short-term loan for financing of current activities	-	WIBOR + bank's margin	2 189 944
Eurocash Franczyza Sp. z o.o.	Short-term loan for financing of current activities	-	WIBOR + bank's margin	251 185
Damianex S.A.	Short-term loan for financing of current activities	-	WIBOR + bank's margin	234 699
Total loans and credits		1 313 593 613		51 985 401
- long-term		85 893 892		
- short-term		1 227 699 721		

In accordance to the credit agreements, the Company is obligated to maintain certain financial ratios at a defined level and for the activity of indicated in the contracts framework. During the reporting period the Company performed all the terms of loan agreements and there was no case of violation. What is more, according to the credit agreements the Company has issued the securities, details of which are expanded in Note 34.

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.

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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.

NOTE 20. OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented below:

Table no 27

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	17 015 118	20 674 521
Liabilities related to financing of franchisees	24 566 656	27 830 969
	181 581 774	48 505 490
- long-term	154 267 086	16 375 105
- short-term	27 314 687	32 130 384

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.

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FINANCE LEASE

Table no 28

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 lease payments	present value of minimum lease payments
<i>Future minimum lease payments due to operating lease agreements</i>				
Less than one year	3 878 099	2 748 031	5 794 115	4 299 416
Between one and five years	15 692 880	14 010 053	18 228 596	15 665 295
More than five years	270 740	257 033	743 160	709 810
Total future minimum lease payments due to finance lease agreements	19 841 718	17 015 118	24 765 872	20 674 521
Finance costs	2 826 601	X	4 091 351	X
Present value of minimum lease payments due to finance lease agreements	17 015 118	17 015 118	20 674 521	20 674 521

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OPERATING LEASE

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

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

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

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

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

A specification of minimum operating lease charges is presented below:

Table no 29

LIABILITIES UNDER OPERATING LEASE AGREEMENTS AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
<i>Future minimum fees due to operating lease agreements paid in the period:</i>		
Less than one year	84 172 492	63 105 945
Between one and five years	239 712 640	192 180 392
More than five years	342 019 040	199 218 890
Total future minimum fees due to operating lease agreements	665 904 172	454 505 227

Operating lease payments for 2013 amounted to PLN 76.996.070 (PLN 2012: 49.549.908).

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

NOTE 21. INCOME TAX

Income tax for the reporting period is presented below:

Table no 30

INCOME TAX FOR THE PERIOD FROM 01.01 TO 31.12.2013 (main components)

	for the period od 01.01.2013 do 31.12.2013	for the period od 01.01.2012 do 31.12.2012
<i>Profit and loss account</i>		
Current income tax	(13 872 336)	(104 996)
Current income tax burden expense	(13 872 336)	-
Additional income tax related to previous years	-	(104 996)
Deferred income tax	3 630 651	8 956 060
Due to temporary tax differences	3 630 651	8 956 060
Total income tax	(10 241 684)	8 851 064

Table no 31

TAX RECONCILIATION FOR THE PERIOD FROM 01.01 TO 31.12.2013(main components)

	for the period od 01.01.2013 do 31.12.2013	for the period od 01.01.2012 do 31.12.2012
Profit before tax	101 162 927	136 357 638
Income tax calculated base on 19% income tax rate	(19 220 956)	(25 907 951)
Permanent tax differences	(3 353 199)	(2 033 728)
Tax influence of the limited partnership's income and costs	3 567 184	3 801 881
The tax impact of dividends received from Group companies	8 647 355	24 929 546
Effect of contribution of business units	-	8 382 912
Other differences	117 932	(321 595)
Income tax in the profit and loss account	(10 241 684)	8 851 064
Effective tax rate	10,12%	6,49%

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

NOTE 22. DEFERRED TAX

Deferred tax is presented below:

Table no 32

DEFERRED TAX IN THE PERIOD FROM 01.01 TO 31.12.2013

	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	2 787 495	4 052 616	(1 265 121)	(2 159 491)	-	-
- deferred income	8 667 979	5 838 270	2 829 708	1 805 525	-	-
- revenues from accrued interests	407 213	363 528	43 684	121 767	-	-
- financial lease liabilities	-	11 746	(11 746)	(345 119)	-	-
Gross deferred tax liability	11 862 686	10 266 161	1 596 526	(577 318)	-	-

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

Table no 32

DEFERRED TAX IN THE PERIOD FROM 01.01 TO 31.12.2013 (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 liabilities</i>						
- bonuses	17 466 328	11 123 240	(6 343 088)	(2 495 349)	-	-
- allowance of inventories	1 577 925	1 264 502	(313 423)	158 907	-	-
- allowance for bad debts	5 095 517	4 812 709	(282 808)	(864 051)	-	-
- tax loss from previous years	2 867 303	5 739 559	2 872 255	(5 739 559)	-	-
- tax profit from sales of fix assets	-	685 681	685 681	-	-	-
- holiday accrual	1 886 775	998 292	(888 482)	(162 533)	-	-
- accrual for employees' bonuses	1 368 000	-	(1 368 000)	2 396 132	-	-
- unpaid payroll and social securities	1 308 052	643 906	(664 146)	(345 778)	-	-
- retirement provision	426 379	222 668	(203 711)	(105 647)	-	-
- accrual for agents' commissions	54 098	31 667	(22 431)	5 023	-	-
- accrual for rental costs	110 922	273 644	162 722	(170 460)	-	-
- accrual for advertising costs	2 025 430	1 432 686	(592 744)	(348 235)	-	-
- accrual for costs of transport	283 520	259 250	(24 270)	(57 165)	-	-
- accrual for costs of media	748 265	549 598	(198 668)	(226 880)	-	-
- accrual for advisory and audit	220 654	133 225	(87 429)	7 450	-	-
- provisions for legal disputes	540 866	278 559	(262 307)	(70 975)	-	-
- procisions for Amrest	23 695	58 078	34 383	(24 349)	-	-
- accrual for postal and telecommunication costs	-	47 506	47 506	(21 158)	-	-
- accrual for intrests accrued on debts	1 420 245	1 662 564	242 319	(474 036)	-	-
- accrued interest on trade payables	140 416	1 102 014	961 598	1 035 328	-	-
- accrued interest on loans and borrowings	6 635	584 598	577 963	224 562	-	-
- accrual for acquisition of shares	607 998	2 964 926	2 356 929	10 426	-	-
- other provisions	6 146 855	4 228 042	(1 917 027)	(1 110 396)	-	-
- transfer of trademarks to Limited Partnership Company	-	9 897 136	9 897 136	4 583 425	-	-
- deferred tax assets	44 325 877	48 994 049	4 669 959	(3 795 317)	-	-
Allowance of deferred tax assets	-	(9 897 136)	(9 897 136)	(4 583 425)	-	-
- deferred tax assets	44 325 877	39 096 913	(5 227 177)	(8 378 743)	-	-
Deferred income tax effect			(3 630 651)	(8 956 060)	-	-
Net deferred tax liability	-	-	X	X	X	X
Net deferred tax asset	32 463 190	28 830 753	X	X	X	X

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

NOTE 23.
OTHER LONG-TERM PREPAYMENTS

Other long-term prepayments are presented below:

Table no 33

OTHER LONG-TERM PREPAYMENTS AS AT 31.12.2013

	as at 31.12.2013	na dzień 31.12.2012
Alcohol licences	-	2 027 743
IT licences	71 719	89 350
Consultancy services	156 050	178 533
Other	64 199	185 315
	291 967	2 480 942

NOTE 24.
SALES IN THE REPORTING PERIOD

Sales are presented below:

Table no 34

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	7 012 994 567	6 018 992 197
Sale of services	447 850 885	305 814 721
Total sale	7 460 845 452	6 324 806 918

NOTE 25.
COSTS BY TYPE

Costs by type are presented below:

Table no 35

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	58 563 446	51 835 419
Materials and energy	48 016 298	45 287 472
External services	270 395 168	225 813 735
Taxes and charges	19 158 020	15 056 744
Payroll	219 600 786	169 631 136
Social security and other benefits	43 330 917	38 212 671
Other costs by type	13 169 217	18 030 441
Costs by type	672 233 851	563 867 618
including:		
Costs of sold services	15 989 203	15 014 805
Selling expenses	492 879 635	405 739 309
General and administrative expenses	163 365 013	143 113 504

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 26.
OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are presented below:

Table no 36

OTHER OPERATING INCOME AND EXPENSES 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	24 176 889	18 650 527
Penalties for suppliers	8 175 296	5 841 547
Other sales	6 292 578	5 580 068
Sub-lease of premises	1 604 854	1 793 755
Compensation received	142 745	385 551
Revenus from transport services	347 135	123 185
Release of provision for losses	-	500 000
Reversal of allowance for inventories	3 059 848	-
Other	4 554 432	4 426 422
Other operating expenses	(39 203 494)	(45 203 135)
Inventory shortages	(16 211 731)	(18 769 949)
Liquidation of damages and expired goods	(14 825 000)	(9 514 099)
Losses from disposals of property, plant and equipment	(529 735)	(2 145 441)
Allowance for bad debts	(1 542 890)	(7 494 451)
Other	(6 094 139)	(7 279 195)
Net other operating expenses	(15 026 605)	(26 552 608)

NOTE 27.
FINANCE INCOME AND COSTS

Finance income and costs are presented below:

Table no 37

FINANCIAL REVENUES 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
Financial income	53 020 275	147 122 480
Interest	1 904 172	6 718 439
Revenues from discounts	4 972 734	3 978 095
Dividends	45 512 394	131 208 136
Sale of shares in the Group	-	5 100 410
Foreing exchange gains	24 698	-
Other financial income	606 277	117 399
Financial expenses	(77 270 505)	(118 791 543)
Interest	(73 206 998)	(105 653 118)
Foreing exchange losses	-	(22 566)
Sale of shares in the Group	-	(4 771 884)
Impairment of shares in the Group	-	(3 830 357)
Other financial expenses	(4 063 507)	(4 513 617)
Net financial expenses	(24 250 231)	28 330 937

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

NOTE 28. EARNINGS PER SHARE

Earnings per share are presented below:

Table no 38

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 Parent's shareholders	90 921 243	145 208 702
Dilution effect :		
Profit for the period attributable to the Parent's shareholders (diluted)	90 921 243	145 208 702
<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	0,66	1,05
- diluted	0,66	1,05

Calculation of weighted average number of shares

The weighted average number of shares determined in order to calculate the value of basic earnings per share is calculated as the weighted average number of ordinary shares outstanding during the reporting period.

Calculation of weighted average diluted number of shares

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

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

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

Description of factors which dilute the number of shares

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

NOTE 29. BOOK VALUE PER SHARE

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 39

BOOK VALUE PER SHARE ON 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Book value	446 998 616	477 015 634
Number of shares	138 427 636	137 976 536
Diluted number of shares	139 577 136	138 909 011
Book value per share	3,23	3,46
Diluted book value per share	3,20	3,43

**NOTE 30.
RELATED PARTY DISCLOSURES**

No significant non-arm's length transactions with subsidiaries were noted in 2013.

No allowances for receivables from related parties were raised in 2013 by the Company.

On 27 December 2013, the Company purchased the trademarks from a subsidiary KDWT Spółka Akcyjna Spółka komandytowo-akcyjna for cash for the total amount of PLN 367,770,000 with a payment maturity 30 days.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

	EUROCASH S.A.
--	---------------

2013

Trade receivables	31.12.2013
KDWT S.A.	15 481 019
Eurocash Trade 1 Sp. z o.o.	4 572 146
Eurocash Franczyza Sp. z o.o.	2 913 166
Tradis Sp. z o.o.	2 790 473
Eurocash Detal Sp. z o.o.	638 844
Dania Fast Food Sp. z o.o.	148 610
Premium Distributors Sp. z o.o.	92 104
Partnerski Serwis Detaliczny S.A.	53 021
DEF Sp. z o.o.	50 262
Lewiatan Kujawy Sp. z o.o.	36 349
PayUp Polska S.A.	34 758
Lewiatan Holding S.A.	33 230
Lewiatan Podlasie Sp. z o.o.	21 301
Lewiatan Śląsk Sp. z o.o.	14 292
Lewiatan Opole Sp. z o.o.	14 257
Lewiatan Wielkopolska Sp. z o.o.	2 942
Euro Sklep S.A.	2 028
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	5 367
Lewiatan Zachód Sp. z o.o.	1 640
Lewiatan Północ Sp. z o.o.	1 240
KDWT Spółka Akcyjna Spółka Komandytowo - Akcyjna	1 162
Ambra Sp. z o.o.	1 014
Drogerie Koliber Sp. z o.o.	859
Lewiatan Orbita Sp. z o.o.	560
Eurocash Trade 2 Sp. z o.o.	178
Total	26 910 826

Loans to	31.12.2013
PayUp Polska S.A.	3 751 565
Total	3 751 565

Other receivables	31.12.2013
Eurocash Franczyza Sp. z o.o.	4 900 433
Premium Distributors Sp. z o.o.	3 014 388
Fundusz Inwestycyjny Zamknięty RE Income	2 397 000
PayUp Polska S.A.	308 850
KDWT S.A.	180 871
Eurocash Detal Sp. z o.o.	3 007
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	123
Total	10 804 674

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Trade payables **31.12.2013**

KDWT S.A.	21 893 952
Tradis Sp. z o.o.	9 484 695
Eurocash Franczyza Sp. z o.o.	5 453 783
Premium Distributors Sp. z o.o.	2 198 108
KDWT Spółka Akcyjna Spółka Komandytowo - Akcyjna	1 335 624
Eurocash Trade 1 Sp. z o.o.	263 861
Dania Fast Food Sp. z o.o.	206 677
Fundusz Inwestycyjny Zamknięty RE Income	151 764
Lewiatan Kujawy Sp. z o.o.	39 781
PayUp Polska S.A.	38 061
Lewiatan Wielkopolska Sp. z o.o.	36 791
Euro Sklep S.A.	33 753
Lewiatan Podlasie Sp. z o.o.	21 803
Lewiatan Śląsk Sp. z o.o.	16 839
Lewiatan Opole Sp. z o.o.	13 156
Lewiatan Zachód Sp. z o.o.	11 776
Lewiatan Orbita Sp. z o.o.	11 267
Eurocash Detal Sp. z o.o.	9 631
Lewiatan Północ Sp. z o.o.	7 531
Total	41 228 852

Liabilities due to purchased trade marks **31.12.2013**

KDWT Spółka Akcyjna Spółka Komandytowo - Akcyjna	367 770 000
Total	367 770 000

Other payables **31.12.2013**

Premium Distributors Sp. z o.o.	7 242 877
Eurocash Franczyza Sp. z o.o.	4 892 865
Tradis Sp. z o.o.	1 119 411
KDWT Spółka Akcyjna Spółka Komandytowo - Akcyjna	939 617
KDWT S.A.	30 657
Ambra Sp. z o.o.	20 155
DEF Sp. z o.o.	3 653
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	1 981
Dania Fast Food Sp. z o.o.	1 668
Total	14 252 885

Sales of merchandise **01.01-31.12.2013**

KDWT S.A.	184 348 487
Tradis Sp. z o.o.	40 243 225
Premium Distributors Sp. z o.o.	16 902 914
Eurocash Trade 1 Sp. z o.o.	4 820 259
Eurocash Detal Sp. z o.o.	541 412
Dania Fast Food Sp. z o.o.	269 467
Lewiatan Kujawy Sp. z o.o.	181 848
Lewiatan Podlasie Sp. z o.o.	64 176
PayUp Polska S.A.	33 186
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	15 136
Euro Sklep S.A.	341
Total	247 420 450

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Sales of services 01.01-31.12.2013

Eurocash Franczyza Sp. z o.o.	23 449 722
Tradis Sp. z o.o.	8 377 608
KDWT S.A.	6 915 595
Premium Distributors Sp. z o.o.	2 827 607
Lewiatan Holding S.A.	158 326
Lewiatan Śląsk Sp. z o.o.	80 374
PayUp Polska S.A.	57 572
Lewiatan Opole Sp. z o.o.	37 657
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	33 042
Partnerski Serwis Detaliczny S.A.	32 641
KDWT Spółka Akcyjna Spółka Komandytowo - Akcyjna	11 340
Lewiatan Wielkopolska Sp. z o.o.	4 900
Dania Fast Food Sp. z o.o.	4 395
Eurocash Trade 1 Sp. z o.o.	1 740
Eurocash Trade 2 Sp. z o.o.	1 740
Total	41 994 261

Interest revenues 01.01-31.12.2013

KDWT S.A.	62 384
PayUp Polska S.A.	49 346
Premium Distributors Sp. z o.o.	43 055
Ambra Sp. z o.o.	8 960
Eurocash Trade 1 Sp. z o.o.	2 734
Total	166 478

Revenues from the dividend 01.01-31.12.2013

Eurocash Franczyza Sp. z o.o.	33 096 201
KDWT S.A.	7 765 289
KDWT Spółka Akcyjna Spółka Komandytowo - Akcyjna	3 478 062
Eurocash Trade 1 Sp. z o.o.	1 172 842
Total	45 512 394

Costs of goods sold 01.01-31.12.2013

KDWT S.A.	39 817 979
Tradis Sp. z o.o.	23 534 975
Premium Distributors Sp. z o.o.	4 348 554
Pol Cater Holding Sp. z o.o.	2 535 417
Total	70 236 924

Costs of services 01.01-31.12.2013

KDWT S.A.	38 478 662
Tradis Sp. z o.o.	24 745 207
Eurocash Franczyza Sp. z o.o.	33 051 108
Premium Distributors Sp. z o.o.	4 908 087
Fundusz Inwestycyjny Zamknięty RE Income	1 504 781
Eurocash Trade 1 Sp. z o.o.	546 910
Eurocash Detal Sp. z o.o.	13 557
Lewiatan Kujawy Sp. z o.o.	39 781
Lewiatan Podlasie Sp. z o.o.	62 172
Euro Sklep S.A.	42 306
Lewiatan Wielkopolska Sp. z o.o.	37 741
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	16 088
Lewiatan Śląsk Sp. z o.o.	20 361
Lewiatan Opole Sp. z o.o.	17 110
Lewiatan Zachód Sp. z o.o.	16 188
Lewiatan Orbita Sp. z o.o.	15 288
Lewiatan Północ Sp. z o.o.	6 566
Total	103 521 913

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Cost of purchased trademarks 01.01-31.12.2013

KDWT Spółka Akcyjna Spółka Komandytowo - Akcyjna	299 000 000
Total	299 000 000

Interest costs 01.01-31.12.2013

KDWT Spółka Akcyjna Spółka Komandytowo - Akcyjna	2 189 944
Eurocash Franczyza Sp. z o.o.	251 185
Tradis Sp. z o.o.	234 699
Total	2 675 827

Cost of purchased shares 01.01-31.12.2013

Eurocash Franczyza Sp. z o.o.	4 875 433
Total	4 875 433

Other costs 01.01-31.12.2013

KDWT Spółka Akcyjna Spółka Komandytowo - Akcyjna	939 617
Premium Distributors Sp. z o.o.	707 031
Tradis Sp. z o.o.	538 153
Ambra Sp. z o.o.	20 155
KDWT S.A.	18 593
Eurocash Franczyza Sp. z o.o.	9 574
DEF Sp. z o.o.	3 653
Total	2 236 776

NOTE 31.

REMUNERATION TO MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The table below presents values of total remuneration, bonuses, rewards and other benefits paid or payable to the Members of the Management Board and the Supervisory Board during the period from 1 January 2013 to 31 December 2013.

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 40

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD IN THE PERIOD FROM 0.1.01 TO 31.12.2013

	Basic salary	Other benefits	Management options	Total
<i>Remuneration of the Members of the Management Board</i>				
Luis Amaral	435 000	9 695	-	444 695
Rui Amaral	1 200 000	9 117	-	1 209 117
Arnaldo Guerreiro	1 020 000	19 064	-	1 039 064
Pedro Martinho	1 145 000	18 580	-	1 163 580
Katarzyna Kopaczewska	912 500	9 211	-	921 711
Jacek Owczarek	930 000	19 064	38 151	987 214
Carlos Saraiva	1 200 000	9 211	-	1 209 211
	6 842 500	93 941	38 151	6 974 592
<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	-	-	-	-
Jacek Sz wajcowski	61 539	-	-	61 539
	462 753	-	-	462 753

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Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 32. EMPLOYMENT

The number of employees as at 31.12.2013 is presented below:

Table no 41

NUMBER OF EMPLOYEES AS AT 31.12.2013

	as at 31.12.2013	as at 31.12.2012
Number of employees	5 629	4 187
Number of full-time jobs	5 530	4 116

The employment structure as at 31.12.2013 is presented below:

Table no 42

STRUCTURE OF EMPLOYMENT AS AT 31.12.2013

	Wholesale discounts and distribution centres	Head office	Total
Number of employees	4 636	993	5 629
Number of full-time jobs	4 543	987	5 530

Employee turnover values as at 31.12.2013 are presented below:

Table no 43

EMPLOYEE TURNOVER IN THE PERIOD FROM 01.01 TO 31.12.2013

	for the period od 01.01.2013 do 31.12.2013	for the period od 01.01.2012 do 31.12.2012
Number of hired employees connected with merger	1 180	-
Number of hired employees	1 773	1 764
Number of dismissed employees	(1 511)	(1 571)
	1 442	193

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 33.
DATA OF ITEMS NOT INCLUDED IN THE FINANCIAL STATEMENTS

Table no 44

CONTINGENCIES AS AT 31.12.2013

No Beneficiary	Title	Currency	as at 31.12.2013	as at 31.12.2012
1. ING Bank Śląski **	Surety for the companies of the Eurocash Group regarding cash pool agreement in the amount of credit limit	PLN	1 374 400 000	619 800 000
2. ING Bank Śląski **	Surety of the bank guarantee for Prepaid Services Company for PayUp liabilities	PLN	622 080	-
3. Pekao S.A. **	Surety for trade payables Tradis Sp. z o.o. KDWT S.A. and Eurocash Trade 1 Sp. z o.o. under the Factoring Agreement	PLN	200 000 000	-
4. BZ WBK***	Surety for the obligations due to the "Franchise partners financing program" for the Franchisee Delkatesy Centrum	PLN	2 226 400	-
5. BZ WBK Faktor **	Surety for trade payables Tradis Sp. z o.o. under the Factoring Agreement	PLN	700 000 000	300 000 000
6. BZ WBK Faktor **	Surety for trade payables Premium Distributors Sp. z o.o. under the Factoring Agreement	PLN	-	300 000 000
7. BRE Leasing **	Surety for trade payables Tradis Sp. z o.o. and KDWT S.A. under the Leasing Agreement	PLN	11 282 545	4 350 866
12. BRE Leasing **	Surety for trade payables Premium Distributors Sp. z o.o. under the Leasing Agreement No. IMP0000294/DK/144981/2012	PLN	-	152 435
13. Millennium Bank **	Surety of the bank guarantee for Polkomtel S.A. for PayUp liabilities	PLN	-	2 250 000
14. Millennium Bank **	Surety of the bank guarantee for PTC Sp. z o.o. for PayUp liabilities	PLN	-	1 500 000
SVENSKA HandelsBanken 15. & Handelsbanken Finans AB **	Surety for trade payables KDWT S.A. for the bank under the Visa Card and Leasing Agreement	PLN	-	9 000
			2 288 531 025	1 228 062 301

* - 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.

** at nominal value

*** at debt value as at balance sheet date

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 45

OTHER BANK GUARANTEES AS AT 31.12.2013

No	Bank guarantee drawer	Title	Currency	as at 31.12.2013	as at 31.12.2012
1.	ING Bank Śląski	Security for rent liabilities	PLN	-	944 563
2.	ING Bank Śląski	Security for rent liabilities	PLN	4 806 248	3 311 140
2.	PKO BP S.A.	Security for rent liabilities	PLN*	5 993 184	4 669 258
3.	PKO BP S.A.	Security for rent liabilities	PLN	1 000 000	-
4.	ING Bank Śląski	Security for excise duty	PLN	50 000	-
5.	PKO BP S.A.	Security for liabilities for suppliers	PLN	9 225	6 500 000
6.	PKO BP S.A.	Security for payables due to the supply of alcohol	PLN	21 351	-
				11 880 008	15 424 962

* - Guarantee in EUR is translated into PLN 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.

NOTE 34. COLLATERALS

Table no 46

SECURITY ON ASSETS AS AT 31.12.2013

Title	Secured property	Amount secure in PLN
Security for repayment of bank loan ING and BZWBK	Deposit on shares in companies from Eurocash Grup and Tradis	272 212 000
Security for agreement with a credit line ING **	Rights of inventories ownership	180 000 000
Security for agreement with a credit line BRE **	Rights of inventories ownership	37 500 000
Security for agreement with a credit line BRE **	Rights of KDWT shares ownership	7 380 000
Security for agreement with a credit line BNP **	General assignment of receivables Premium Distributors	150 000 000
Financial lease agreements (the net value of fixed assets at the balance sheet)	Deposit on fixed assets in financial leasing	16 373 526

* 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 0.00 million PLN.

** Nominal value of the minimum security

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2013	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 35. FINANCIAL RISK MANAGEMENT

a. General information

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

- credit risk
- liquidity risk
- market risk

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

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

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

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

b. Credit risk

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

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

Table no 47

CREDIT RISK EXPOSURE

	as at 31.12.2013	as at 31.12.2012
Accounts receivable and loans	819 649 901	445 382 958
Cash and cash equivalents	38 749 354	56 751 191
	858 399 255	502 134 149

Trade receivables and other receivables

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

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

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- sales realized in cash constitute over 90% of total sales realized by wholesale discounts and therefore there is no credit risk,
- sales service to franchise and independent clients is mostly on credit and has therefore a greater amount of overdue receivables. However, counterparties credit risk is moderate,
- sales of marketing services to suppliers (promotions, newsletters, advertising brochures) are exposed to minor credit risks due to compensation of receivables related to sales of marketing services with payables to suppliers
- sales to HoReCa are typically transacted on a credit basis and therefore a higher percentage of overdue receivables occurs in this category; however, the credit risk related to these parties is moderate.

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

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

Table no 48

AGEING OF TRADE RECEIVABLES AND BAD DEBT ALLOWANCES AS AT 31.12.2013

	Trade receivables gross value as at 31.12.2013	Bad debts allowance as at 31.12.2013	Trade receivables gross value as at 31.12.2012	Bad debts allowance as at 31.12.2012
current	652 109 519	-	335 988 907	-
0-30 days	109 991 157	-	71 025 784	-
31-90 days	25 299 291	-	9 216 424	-
91-180 days	7 967 447	-	9 113 588	-
> 180 days	10 947 866	10 462 373	11 011 977	8 321 973
	806 315 280	10 462 373	436 356 680	8 321 973

Table no 49

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	8 321 973	4 848 741
Increases	2 140 400	3 473 233
Decreases	-	-
Closing balance	10 462 373	8 321 973

Investments

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

Guarantees

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

c. Liquidity risk

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

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

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

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

The Company's sales are realized mainly in cash. Moreover, the Company has a negative balance of overdraft (without the cash pool) facility up to PLN 690 m which can be used to meet its short-term financial requirements.

As at 31 December 2013, undisbursed limits amounted to PLN 459 m.

As at 31 December 2013 a large part of current liabilities refers to liabilities with related parties, including PLN 816 m in connection with the Cash Pool agreement and the amount of PLN 368 m related to the acquisition of trademarks.

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

Table no 50

AS AT 31.12.2013

	Net book value	< 12 months	1-5 years	over 5 years
Financial lease liabilities	17 015 118	2 748 031	14 010 053	257 033
Trade and other payables	2 397 147 930	2 396 897 930	250 000	-
Factoring	24 566 656	24 566 656	-	-
Bank overdrafts	1 313 593 613	1 227 699 721	85 893 892	-
Issue of bonds	140 000 000	-	140 000 000	-
	3 892 323 317	3 651 912 338	240 153 946	257 033

AS AT 31.12.2012

	Net book value	< 12 months	1-5 years	over 5 years
Financial lease liabilities	20 674 521	4 299 416	15 665 295	709 810
Trade and other payables	1 177 026 801	1 177 026 801	-	-
Factoring	27 830 969	27 830 969	-	-
Bank overdrafts	1 190 007 591	716 262 712	473 744 879	-
	2 415 539 882	1 925 419 897	489 550 174	709 810

d. Market risk

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

Currency risk

Currency risk does not affect significantly business activities of the Company as the majority of the Company's settlements are made in the local currency. In order to manage the currency risk regarding significant transactions in foreign currency, the Company buys and sells derivatives. The Company is focused on an application of hedge accounting that would minimize the effect of profit and loss variability for the period. In 2013, the Group did not have any open positions in currency derivatives.

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Interest rate risk

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

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

Table no 51

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	17 015 118	20 674 521
Floating interest rate instrument		
Financial assets	859 198 048	502 166 438
Financial liabilities	3 875 308 199	2 394 865 361

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

Table no 52

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS

	Income statement		Equity	
	increases 100bp	decreases 100bp	increases 100bp	decreases 100bp
31 December 2013	(30 161 102)	30 161 102	-	-
31 December 2012	(18 926 989)	18 926 989	-	-

e. Capital management

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

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

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

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

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f. Fair value

The following table presents fair values versus carrying amounts.

Table no 53

FAIR VALUES

	Net book value 31.12.2013	Fair value 31.12.2013	Net book value 31.12.2012	Fair value 31.12.2012
Assets	859 198 048	*	502 166 438	*
Trade and other receivables	815 897 247	*	441 531 781	*
Other financial assets	3 752 655	*	3 851 177	*
Cash and cash equivalents	39 548 147	*	56 783 480	*
Liabilities	3 892 323 317	*	2 415 539 882	*
Credits	1 313 593 613	*	1 190 007 591	*
Financial lease liabilities	17 015 118	*	20 674 521	*
Factoring	24 566 656	*	27 830 969	*
Trade and other payables	2 397 147 930	*	1 177 026 801	*
Liabilities due to the issue of bonds	140 000 000	*	-	*
	(3 033 125 269)	*	(1 913 373 444)	*

Estimating the fair value

On 31 December 2013 the fair value of financial instruments approximated their carrying value.

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**NOTE 36.
OTHER SUBSEQUENT EVENTS**

1. 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.

**NOTE 37.
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.

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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 MANAGEMENT BOARD MEMBERS

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