EUROCASH S.A.

CONSOLIDATED ANNUAL REPORT FOR 2006

TRANSLATORS' EXPLANATORY NOTE
The following document is a free translation of the report of the above-mentioned Polish Company.
In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

KOMORNIKI, 25th April 2007

CONTENTS

Dear Shareholders,
Dear Employees,
Ladies and Gentlemen,

Year 2006 was very important year for Eurocash. In 2006 we have made a significant step on our way to create the biggest player on the FMCG (Fast Moving Consumer Goods) wholesale market in Poland.

We have accomplished acquisition of 2 big market players: KDWT - the second biggest tobacco and impulse products distributor in Poland, and "Delikatesy Centrum" franchise chain - a leading franchise chain of supermarkets in south-eastern Poland.

At the end of 2006 Eurocash Group consisted of:

- Eurocash S.A. – which business comprised in 2006 of:
    - Eurocash Discount Cash & Carry – the biggest discount cash & carry chain in Poland in terms of number of outlets (96) and franchisor of the "abc" grocery store chain;
    - Delikatesy Centrum – a leading franchise chain of 235 supermarkets in south-eastern Poland.
- KDWT S.A. – countrywide wholesale distributor of tobacco and impulse products.

We have worked hard in order to create an integrated multi-format wholesale company, where each of the businesses will have its own path for organic growth and as part of the Eurocash group it has opportunity to explore the synergies related to the shared buying, logistics and common back-office as well as with possibility to join forces to provide the client with much broader offering.

We are much stronger now as we joined forces with teams which had build two very good companies. I would like to use this opportunity to thank our new employees coming from KDWT and Carment, as well as Eurocash employees for their work on integration of the three companies.

I am convinced that the coming year 2007 will be also a very significant year for our Company, not only because of further realization of synergies coming from acquisitions we made, but also because of necessity to use opportunities of market consolidation. Year 2007 will be for sure one of the most exciting year in our path to became the reference FMCG wholesaler in Poland.

Yours Sincerely,

Luis Manuel Conceicao do Amaral
President of the Management Board
Eurocash S.A.

INDEPENDENT AUDITOR'S OPINION

For the Shareholders of Eurocash Spółka Akcyjna

We have audited the accompanying consolidated financial statements of Eurocash Spółka Akcyjna (the parent Company) Capital Group with its registered office in Komorniki, ul. Wiśniowa 11, prepared in accordance with the International Accounting Standards/International Financial Reporting Standards, comprising the following:

- the introduction to the financial statements,
- consolidated balance sheet as at December 31, 2006, with total assets of PLN 698.119.956 (in words: six hundred ninety eight million one hundred nineteen thousand nine hundred fifty six),
- consolidated profit and loss account for the period from January 1, 2006 to December 31, 2006, with a net profit of PLN 41.572.392 (in words: forty one million five hundred seventy two thousand three hundred ninety two),
- statement of changes in consolidated equity, with a net increase in equity for the period from January 1, 2006 to December 31, 2006 of PLN 23.283.144 (in words: twenty three million two hundred eighty three thousand one hundred forty four),
- cash flow statement with a net cash outflow for the period from January 1, 2006 to December 31, 2006 of PLN 57.798.135 (in words: fifty seven million seven hundred ninety eight thousand one hundred thirty five),
- additional notes and explanations.

The Management Board of the parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the adopted accounting policy. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Our responsibility was to audit the accompanying consolidated financial statements and express an opinion whether, based on our audit, these consolidated financial statements give, in all material respects, a true and fair view of the financial position of the Capital Group and of its financial performance.

We conducted our audit of the accompanying financial statements in accordance with:

- provisions of Chapter 7 of the Accounting Act of 29 September 1994 (uniform text: Journal of Laws of 2002, No. 76, item 694, with further amendments) (the Accounting Act),
- the auditing standards issued by the National Chamber of Statutory Auditors.

We planned and conducted our audit in order to obtain a reasonable assurance that the audited consolidated financial statements are free from material misstatement. The audit was largely based on a random examination of evidence supporting the amounts and disclosures included in the audited consolidated financial statements. The audit also included the assessment of the accounting policies used by the parent Company and significant estimates made by the parent Company's Management Board as well as an evaluation of the overall presentation of the consolidated financial statements. We believe that our audit has provided a reasonable basis for expressing an opinion on the consolidated financial statements.

In our opinion, the audited consolidated financial statements, including the figures and verbal explanations:

- present truly and fairly all information material for the assessment of the Capital Group's financial position as at December 31, 2006 as well as its financial result for the financial year from January 1, 2006 to December 31, 2006,
- were prepared, in all material respects, in accordance with the accounting principles (policy) specified in the International Accounting Standards, International Financial Reporting Standards and the relevant interpretations published as regulations by the European Commission; in respect to matters not provided for in the standards – in conformity with the Accounting Act and the relevant executive regulations and on the basis of the properly maintained books of account,
- present(s) the data in accordance with the requirements of the Ordinance of the Minister of Finance of October 19, 2005 regarding current and periodical information provided by issuers of securities (Journal of Laws of 2005, No. 209, item 1744),
- comply with the laws affecting the content of the consolidated financial statements.

We have read the Management Report on the Capital Group's business operations for the period from January 1, 2006 to December 31, 2006. In our opinion the Report meets all material requirements of Article 49 clause 2 of the Accounting Act and of the Regulation of the Minister of Finance of 19 October 2005 on the current and periodic reporting by issuers of securities. Disclosures included in this Report, derived from the consolidated financial statements audited by us, are consistent with them.

Jan Letkiewicz

Statutory Auditor
No. 9530/7106

Cecylia Pol

President of the Management Board
HLB Frąckowiak i Wspólnicy Spółka z o.o.,
Poznań, pl. Wiosny Ludów 2,
Registered to audit financial statements by National Chamber of Statutory Auditors; reg. No. 238.
Statutory Auditor No. 5282/782

Poznań, April 25, 2007.

REPORT SUPPLEMENTING THE OPINION ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FOR THE YEAR ENDED DECEMBER 31, 2006

CAPITAL GROUP EUROCASH S.A.

POZNAŃ, 25 APRIL 2007

1. DOMINANT ENTITY OVERVIEW

The Dominant Entity of the Capital Group is Eurocash S.A. Dominant Entity was established on July 30, 2004 as a result of transformation of a limited liability company. The Dominant Entity was founded for an indefinite period. The registered office of the Dominant Entity is located in Komorniki, at ul. Wiśniowa 8.

The primary object of the Dominant Entity activity includes:

- wholesale of fruit and vegetables,
- wholesale of meat and meat products,
- wholesale of dairy products, eggs, oil and edible fats,
- wholesale of alcoholic beverages,
- wholesale of alcohol-free beverages,
- wholesale of tobacco products,
- wholesale of sugar, chocolate and confectionery,
- wholesale of tea, coffee, cocoa and seasonings,
- wholesale of fish, crustaceans and molluscs,
- wholesale of other food,
- not specialised wholesale of food, beverages and tobacco products,
- wholesale of metal products, china, ceramics, glass for use in households, of wallpaper and cleaning agents,
- wholesale of perfume and cosmetics,
- wholesale of other products for household and personal use,
- wholesale of chemical products,
- other, unspecialised wholesale.

The object of the subsidiaries' business activity is related to the business of the Parent Company.

The Parent Company was entered in the Register of Entrepreneurs of the National Court Register kept by the District Court in Poznań, XXI Economic Division of the National Court Register under the number KRS 0000061530 on November 15, 2001 (under the business name of JM Polska Sp. z o.o.) Pursuant to the decision of the Registry Court, on July 30, 2004 the Company operating under the business name of Eurocash Sp. z o.o. was transformed into Eurocash S.A. and entered into the National Court Register under the number KRS 0000213765.

The Dominant Entity has a Tax Identification Number NIP 779-19-06-082 granted on August 5, 2004 and a statistical identification number REGON 631008941 granted on October 7, 2004.

The share capital of the Dominant Entity as at the balance sheet date, i.e. December 31, 2006, was PLN 127,742 thousand. The Capital Group equity as at that date was PLN 199,033 thousand.

According to note 16 of the additional notes and explanations to the consolidated financial statements as at December 31, 2006, the ownership structure of the Dominant Entity share capital was as follows:

Shareholder who has at least 5% of votes at the General Meeting of Shareholders:	Number of shares	Number of votes	Face value of shares	% of equity
Luis Manuel Conceicao do Amaral (directly and indirectly via Politra B.V.)	70,258,100	70,258,100	70,258.1	55.00%
ING Nationale - Nederlanden Polska Otwarty Fundusz Emerytalny	6,598,714	6,598,714	6,598.7	5.17%
Charlemagne Capital (IOM) Limited	6,488,383	6,488,383	6,488.4	5.08%
Total above mentioned Shareholders	**83,345,197**	**83,345,197**	**83,345.2**	**65.24%**
Total	127,742,000	127,742,000	127,742.0	100.00%

According to the book of shares of the Dominant Entity as of April 25, 2007 in the period from January 1, 2006 to December 31, 2006 and after the balance sheet date, until the date of the issuing of this report the following changes in the ownership structure of the Dominant Entity share capital took place (changes of shareholders who have at least 5% of votes at the General Meeting of Shareholders):

- On March 14, 2006 J.P. Morgan Chase & Co with its registered office in London informed about a disposal of shares of Eurocash S.A. After the disposal of the shares, subsidiaries of J.P. Morgan Chase & Co reduced the number of the shares they held to 6,310,593 shares which constitutes 4.94% of the Company's share capital and entitles to 6,310,593 votes at the General Meeting. Prior to the change of its share, J.P. Morgan Chase & Co held 6,579,041 shares of Eurocash S.A., which constituted 5.15% of the Company's share capital and entitled to 6,579,041 votes at the Company's General Meeting.
- AIG Powszechne Towarzystwo Emerytalne S.A. informed that as at March 20, 2006 as a result of the disposal of the Company's shares AIG Otwarty Fundusz Emerytalny (AIG OFE) managed by it held 4,469,766 shares of Eurocash S.A. constituting 3.50% of the Company's share capital and entitling to 4,469,766 votes at the General Meeting of Shareholders. Immediately before the change of its share, AIG OFE held 6,469,766 shares of Eurocash S.A., which constituted 5.06% of the Company's share capital and entitled to 6,469,766 votes at the Company's General Meeting.
- On March 28, 2006 Amplico Life Pierwsze Amerykańsko–Polskie Towarzystwo Ubezpieczeń na Życie i Reasekuracji S.A. on behalf of American Life Insurance and Reinsurance Company (ALICO) informed that as a result of the disposal of the Company's shares by the subsidiary, as at March 20, 2006 ALICO held 5,275,757 shares

of Eurocash S.A., constituting 4.13% of the Company's share capital and entitling to 5,275,757 votes at the General Meeting of Shareholders. Immediately before the change of its share, ALICO held 7,275,757 shares of Eurocash S.A., which constituted 5.70% of the Company's share capital and entitled to 7,275,757 votes at the Company's General Meeting.

- On March 29, 2006 Charlemagne Capital (IOM) Limited informed that as a result of a purchase of the Company's shares as part of the management of a third party securities portfolio on a fee or contract basis, funds managed by Charlemagne Capital (IOM) Limited jointly hold 6,488,383 shares of Eurocash S.A., which constitutes 5.08% of the Company's share capital and entitles to 6,488,383 votes at the General Meeting of Shareholders.
- ING Nationale - Nederlanden Polska Otwarty Fundusz Emerytalny (ING OFE) informed on August 11, 2006 that as a result of a purchase of the Company's shares in transactions on the Warsaw Stock Exchange settled on August 9, 2006, it held 6,598,714 shares of Eurocash S.A., constituting 5.17% of the Company's share capital and entitling to 6,598,714 votes at the General Meeting of Shareholders.
- On January 24, 2007 Charlemagne Capital (IOM) Limited informed that as a result of a disposal of the Company's shares on January 23, 2007 as part of the management of a third party securities portfolio on a fee or contract basis, funds managed by Charlemagne Capital (IOM) Limited jointly hold 6,294,159 shares of Eurocash S.A., which constitutes 4.93% of the Company's share capital and entitles to 6,294,159 votes at the General Meeting of Shareholders.

As of April 25, 2007 the Management Board of the Dominant Entity included:

- Luis Manuel Conceicao Do Amaral - President of the Management Board,
- Pedro Martinho - Member of the Management Board,
- Ryszard Majer - Member of the Management Board,
- Katarzyna Kopaczewska - Member of the Management Board,
- Arnaldo Guerreiro - Member of the Management Board,
- Rui Amaral - Member of the Management Board,
- Roman Piątkiewicz - Member of the Management Board.

In the period from January 1, 2006 to April 25, 2007 the following changes occurred in the Board of the Dominant Entity:

- By resolution no. 1 of April 24, 2006 the Supervisory Board appointed Roman Piątkiewicz the Member of the Management Board, effective as at June 30, 2006.

2. MEMBERS OF THE CAPITAL GROUP

On December 31, 2006 the Eurocash S.A. Capital Group consisted of the following companies:

Company name:	Consolidation method	Type of opinion on the consolidated financial statements	Name of entity carrying out the audit of the consolidated financial statements	Balance sheet day of the financial statements under consolidation
Eurocash S.A.	n/a	unqualified opinion	HLB Frąckowiak i Wspólnicy Sp. z o.o.	31.12.2006
KDWT S.A.	full consolidation	unqualified opinion	HLB Frąckowiak i Wspólnicy Sp. z o.o.	31.12.2006
Eurocash Detal Sp. z o.o.	full consolidation	not audited.	n/a	31.12.2006
Eurocash Franszyza Sp. z o.o.	full consolidation	not audited.	n/a	31.12.2006

The Eurocash S.A. Capital Group was created on March 31, 2006. The Group did not exist in the previous year.

3. CONSOLIDATED FINANCIAL STATEMENTS FOR THE PRECEDING YEAR

The Eurocash S.A. Capital Group was created in 2006. Consolidated financial statements of Eurocash S.A. for 2006 are the first financial statements of this type prepared by the Parent Company. The Parent Company decided to indicate 2005 stand-alone data of the Parent Company as comparable data.

4. INFORMATION ON THE ENTITY LICENSED TO AUDIT AND THE CHARTERED AUDITOR

HLB Frąckowiak i Wspólnicy Spółka z o.o., with the seat in Poznań pl. Wiosny Ludów 2 is the entity licensed to audit financial statements, entered on the list of the National Council of Chartered Auditors in Poland under No 238.

On behalf of HLB Frąckowiak i Wspólnicy Sp. z o.o., the audit of the consolidated financial statements of the Capital Group was headed by chartered auditor Jan Letkiewicz No 9530/7106.

On 29 April 2005 HLB Frąckowiak i Wspólnicy Sp. z o.o. was selected to carry out an audit of the consolidated financial statements of the Capital Group for the financial year ending 31 December 2006 by the Management Board of the Dominant Entity. The audit of the consolidated financial statements was conducted on the basis of the agreement with the Management Board of the Dominant Entity concluded on 18 July 2006.

5. THE SCOPE AND DATE OF THE AUDIT

The purpose of our audit was to express a written opinion, together with a report, whether the consolidated financial statements for the financial year ended December 31, 2006 are, in all material respects, true and fair in accordance with the accounting principles (policy) specified in the International Accounting Standards, International Financial Reporting Standards and the relevant interpretations published as regulations by the European Commission; in respect to matters not provided for in the standards – in conformity with the Accounting Act and the relevant executive regulations.

For the audit of individual items of the consolidated financial statements and consolidation documentation the tests and samples appropriate for financial audit were used. On the basis of the results of these tests and samples we determined the correctness of the audited items.

The subject of our audit did not include issues which do not affect the consolidated financial statements audited by us.

We conducted the audit of the consolidated financial statements of the Capital Group for the financial year ending 31 December 2006 between 11 April 2007 to 25 April 2007.

6. IMPARTIALITY DECLARATION

HLB Frąckowiak i Wspólnicy Sp. z o.o. and the chartered auditor heading the audit comply with the requirements specified in Article 66 clause 2 and 3 of the Accounting Act for issuing an impartial and independent opinion on the audited consolidated financial statements of the Capital Group.

7. DATA AVAILABILITY AND RECEIVED STATEMENTS

In the course of the audit, the Board of the Dominant Entity made available all financial statements of the companies under consolidation, consolidation documentation, data and other required documents and provided us with explanations necessary for issuing an opinion on the consolidated financial statements.

On 25 April 2007 the Board of the Dominant Company submitted a written statements on the completeness, fairness and accuracy of the consolidated financial statements. It also declared that between the balance sheet day and the date of the audit completion no events occurred that might materially impact the assets and the financial position of the Capital Group and would require presentation in the audited consolidated financial statements. In the statements the Board of the Dominant Entity confirmed its responsibility for the approved consolidated financial statements.

8. CONSOLIDATED BALANCE SHEET

ASSETS (PLN '000)	31.12.2006	31.12.2005	31.12.2004
FIXED ASSETS	**262.001**	**180.607**	**178.557**
Goodwill	33.824	-	-
Intangible assets	117.191	110.819	108 283
Tangible fixed assets	108.998	67.733	68 511
Investment property	52	-	-
Long-term receivables	1.588	556	189
Long-term deferred items	349	1.450	1 575
CURRENT ASSETS	**436.119**	**261.334**	**188 582**
Inventories	209.545	120.261	112 281
Short-term receivables	183.003	39.596	41 186
Cash and cash equivalents	41.247	99.045	33 915
Prepaid expenses	2.324	2.433	1 200
TOTAL ASSETS:	**698.120**	**441.942**	**367 139**

LIABILITIES (PLN '000)	31.12.2006	31.12.2005	31.12.2004
EQUITY	**199.033**	**175.749**	**142 665**
Equity attributable to the shareholders of the Parent company	**199.033**	**-**	**-**
Minority interests	**-**	**-**	**-**
LIABILITIES AND PROVISIONS FOR LIABILITIES	**499.087**	**266.192**	**224 475**
Long-term liabilities	19.229	4.670	3 263
Short-term liabilities	479.859	261.522	221 212
TOTAL LIABILITIES:	**698.120**	**441.942**	**367 139**

The Eurocash S.A. Capital Group was created on March 31, 2006. For comparability reasons the stand-alone financial statements of Eurocash S.A. for 2005 and 2004 were presented.

9. CONSOLIDATED PROFIT AND LOSS ACCOUNT

REVENUES AND COSTS (PLN '000)	2006	2005	2004
Sales	3.236.977	1.687.137	1 526 532
Cost of goods sold	**2.930.782**	**1.456.655**	1 328 498
Gross profit (loss) on sales	306.195	230.482	**198 034**
Costs of sales	169.314	124.403	110 395
Overheads	77.025	54.894	44 194
Profit (loss) on sales	59.856	51.185	**43 445**

Other operating income	8.177	4.708	1 584
Other operating expenses	**12.816**	**11.241**	13 834
Share in profits of companies consolidated under the equity method	-	-	-
Restructuring costs	-	-	-
Profit (loss) on operating activity	**55.217**	**44.652**	**31 195**
Financial income (expenses)	**(1.086)**	**(2.969)**	**(3.685)**
Other profit (loss) on investments	**-**	**-**	**-**
Profit (loss) before taxation	**54.131**	**41.683**	**27 510**
Corporate income tax	**12.559**	**9.117**	5 369
Net profit (loss) on continued activity	**41.572**	**32.566**	22 141
Net loss on discontinued activity	**-**	**-**	**-**
Net profit (loss), attributable to:	**41.572**		
- shareholders of the parent company	**41.572**		**-**
- minority shareholders	**-**		

The Eurocash S.A. Capital Group was created on March 31, 2006. For comparability reasons the stand-alone financial statements of Eurocash S.A. for 2005 and 2004 were presented.

10. BASIC DATA AND ECONOMIC RATIOS

The Eurocash S.A. Capital Group was created on March 31, 2006. Due to the fact that the comparability of financial ratios for previous years cannot be ensured, a decision was made not to present them.

11. CONTINUING AS GOING CONCERN

In note 1.5 of the additional notes and explanations to the Capital Group's audited consolidated financial statements for the year ended December 31, 2006 the Management Board of the Parent Company stated that the financial statements of the Parent Company as well as the financial statements of subsidiaries being the basis of the consolidated financial statements were prepared under the assumption that these Companies will continue as a going concern for not less than 12 months from December 31, 2006 and that there are no circumstances indicating any threat to the ability of the Parent Company and subsidiaries to continue as a going concern.

In the course of our examination we found no material circumstances that could produce a conviction that the Dominant Entity was not able to continue its activity for at least 12 months from the balance sheet date, that is from December 31, 2006 in effect of intended or forced discontinuation or major restriction of its business.

12. FINANCIAL YEAR

Financial statements of all the companies of the Capital Group which constituted the basis for preparing the consolidated financial statements as of 31 December 2006 and cover financial data for the reporting period from 1 January 2006 to 31 December 2006.

13. ACCOUNTING PRINCIPLES (POLICY) AND METHODS OF PRESENTATION OF FINANCIAL DATA

In item 2 of the additional notes and explanations to the consolidated financial statements of the Capital Group for the financial year ending 31 March 2006 the Board of the Dominant Entity presented accounting principles(policy) and methods of presentation of financial data. For the period for which the consolidated financial statements were prepared no changes of accounting principles (policy) or methods of presentation of financial data of the Capital Group occurred.

14. GOODWILL FROM CONSOLIDATION

The principles of the determination of the goodwill on consolidation were disclosed in section 2.28 of additional notes and explanations to the consolidated financial statements. The manner of determining the goodwill on the acquisition of control over subsidiaries is presented in note 1 of additional notes to the consolidated financial statements.

15. EQUITY

Equity reported in the consolidated balance sheet as of 31 March 2006 is compliant with the consolidation documentation. Financial data related to equity was presented in Note 10 of the notes and explanations to the consolidated financial statements.

16. MINORITY INTERESTS

There were no minority interests as of December 31, 2006. The Parent Company holds 100% of shares in subsidiaries.

17. CONSOLIDATION EXCLUSIONS

Concerning exclusions of companies under consolidation:

- Mutual settlements (of receivables and liabilities)
- internal turnover (profit and cost),
- results not achieved by the companies under consolidation, included in assets value,

are compliant with the consolidation documentation.

18. DISPOSAL OF SHARES IN A SUBORDINATED COMPANY

During the financial year ended December 31, 2006 the Capital Group did not dispose of any shares in subordinated companies.

19. COMPLETENESS AND CORRECTNESS OF CONSOLIDATION DOCUMENTATION

As a result of our audit we determined that the consolidation documentation is in all aspects complete and correct and that it fulfills the essential requirements for consolidation documentation. This applies to exclusions following from consolidation adjustments in particular.

20. STRUCTURE OF ASSETS AND LIABILITIES OF THE CONSOLIDATED BALANCE SHEET

Structure of assets and liabilities of the Capital Group is presented in the consolidated financial statements for the financial year ending 31 December 2006. The data presented in the consolidated financial statements are compliant with the consolidation documentation.

21. ITEMS AFFECTING FINANCIAL RESULT OF THE CAPITAL GROUP

The characteristics of the items affecting the financial result of the Capital Group are presented in the consolidated financial statements for the financial year ending 31 December 2006. The data presented in the consolidated financial statements are compliant with the consolidation documentation.

22. ADDITIONAL NOTES

The additional information and explanation to the consolidated financial statements for the financial year ended on December 31, 2006 were prepared in all material aspects in accordance with the accounting principles (policy) specified in the International Accounting Standards, International Financial Reporting Standards and the relevant interpretations published as regulations by the European Commission; in respect to matters not provided for in the Standards – in conformity with the Accounting Act and the relevant executive regulations and in accordance with the requirements of the Ordinance of the Minister of Finance of October 19, 2005 regarding current and periodical information provided by issuers of securities.

23. REPORT ON THE BUSINESS OF THE CAPITAL GROUP

We have acquainted ourselves with the report of the business of the Capital Group for the financial year ending 31 December 2006, prepared by the Management of the Dominant Company. The information and data from the audited consolidated financial statements included in this report for the financial year ending 31 December 2006 are compliant with it. The report on the Capital Group's activity fulfills the requirements of Article 49 clause 2 of the Accounting Act and provisions of the Regulation of the Minister of Finance of October 19, 2006 on current and periodical disclosure made by issuers of securities.

This report contains 11 pages.

Jan Letkiewicz	Cecylia Pol
Chartered Auditor No. 9530/7106	President of the Board of HLB Frąckowiak i Wspólnicy Spółka z o.o.,Poznań pl. Wiosny Ludów 2 an entity licensed to audit financial statements, entered into the list of authorised auditing entities under No 238 Chartered Auditor No 5282/782

EUROCASH S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1ST JANUARY 2006 TO 31ST DECEMBER 2006

KOMORNIKI, 25th April 2007

CONTENTS

GENERAL INFORMATION

1. INFORMATION OF THE COMPANY

1.1. DOMINANT COMPANY NAME

EUROCASH Spółka Akcyjna

1.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

1.3. CORE BUSINESS

Other wholesale (PKD 5190 Z)

1.4. REGISTRY COURT

District Court of Poznań, XXI Commercial Division of the National Court Register,
Entry no KRS 00000213765

1.5. DURATION OF THE CAPITAL GROUP

Indefinite

1.6. PERIOD COVERED BY THE ABBREVIATED FINANCIAL STATEMENTS

The reporting period 1st January 2006 – 31st December 2006 and comparable periods: 1st January 2005 – 31st December 2005

2. COMPNANY'S GOVERNING BODIES

2.1. MANAGEMENT BOARD OF DOMINANT UNIT

Luis Manuel Conceicao Do Amaral – President of the Management Board,
Rui Amaral – Management Board Member,
Arnaldo Guerreiro – Management Board Member,
Pedro Martinho – Management Board Member,
Katarzyna Kopaczewska – Management Board Member,
Ryszard Majer – Management Board Member,
Roman Stefan Piątkiewicz – Management Board Member (from 30th June 2006).

2.2. MANAGEMENT BOARD OF SUBSIDIARY

Roman Piątkiewicz – President of the Management Board,
Mieczysław Kuśnierczak – Management Board Member,
Arnaldo Guerreiro – Management Board Member.

2.3. SUPERVISORY BOARD

João Borges de Assunção – Chairman of the Supervisory Board,
Eduardo Aguinaga de Moraes – Supervisory Board Member,
Ryszard Wojnowski – Supervisory Board Member,
Janusz Lisowski – Supervisory Board Member,
Geoffrey Francis Eric Crossley - Supervisory Board Member (until 6th March 2006),
António José Santos Silva Casanova – Supervisory Board Member (from 6th March 2006).

2.4. SUPERVISORY BOARD OF SUBSIDIARY

Małgorzata Pietkiewicz - Supervisory Board Member, Wojciech Budziński - Supervisory Board Member.

2.5. CHANGES IN THE COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BOARDS

On 6th March 2006 in dominant Company the resignation from the position of the Supervisory Board Member made by Geoffrey Francis Eric Crossley on 19th January 2005 became effective. On the same day, on the basis of appointment of a Supervisory Board member by Politra B.V. as a result of execution of its right to personally appoint Supervisory Board members, Mr. António José Santos Silva Casanova was appointed to the Supervisory Board.

On 30th June 2006 Roman Stefan Piątkiewicz was appointed to the Management Board of Eurocash S.A.

All amounts are expressed in Polish zloty (unless indicated otherwise)

SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED CONSOLIDATED FIGURES AS AT 31 DECEMBER 2006

	for the period od 01.01.2006 do 31.12.2006 PLN	for the period od 01.01.2005 do 31.12.2005 PLN	for the period od 01.01.2006 do 31.12.2006 EUR	for the period od 01.01.2005 do 31.12.2005 EUR
Net sales	3 236 977 047	1 687 137 016	830 185 696	419 341 589
Operating profit (loss)	55 217 269	44 651 738	14 161 542	11 098 287
Profit (loss) before tax	54 131 181	41 683 192	13 882 994	10 360 448
Net Profit (loss) on continued operations	41 572 392	32 566 149	10 662 048	8 094 387
Net profit (loss)	41 572 392	32 566 149	10 662 048	8 094 387
Net operating cash flow	38 277 680	91 171 823	9 817 055	22 660 956
Net investment cash flow	(90 992 456)	(24 315 936)	(23 336 784)	(6 043 779)
Net financial cash flow	(5 083 359)	(1 726 031)	(1 303 726)	(429 009)
Net change in cash and cash equivalents	(57 798 135)	65 129 856	(14 823 455)	16 188 168
Weighted average number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Weighted average diluted number of shares	134 615 730	134 129 100	134 615 730	134 129 100
EPS (in PLN / EUR)	0,33	0,25	0,08	0,06
Diluted EPS (in PLN / EUR)	0,31	0,24	0,08	0,06
Średni kurs PLN / EUR*			3,8991	4,0233

	for the period 31.12.2006 PLN	for the period 31.12.2005 PLN	for the period 31.12.2006 EUR	for the period 31.12.2005 EUR
Assets	698 119 956	441 941 757	182 219 659	114 498 616
Long-term liabilities	19 228 821	4 670 131	5 019 007	1 209 941
Short-term liabilities	479 858 556	261 522 192	125 250 197	67 755 374
Equity	199 032 578	175 749 434	51 950 454	45 533 301
Share capital	127 742 000	127 742 000	33 342 556	33 095 497
Number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Diluted number of shares	134 615 730	134 129 100	134 615 730	134 129 100
Book value per share (in PLN / EUR)	1,56	1,38	0,41	0,36
Diluted book value per share (in PLN / EUR)	1,48	1,31	0,39	0,34
Declared or paid dividend (in PLN / EUR)	-	-	-	-
Declared or paid dividend per share (in PLN / EUR)	-	-	-	-
PLN / EUR rate at the end of the period**			3,8312	3,8598

* - The profit and loss account items were calculated in accordance with an exchange rate being an arithmetical mean of average exchange rates announced by the National Bank of Poland, as at the last day of each month.

** - Balance-sheet items and the book value per one share were calculated in accordance with an average exchange rate announced by the National Bank of Poland, as at the balance-sheet date.

All amounts are expressed in Polish zloty (unless indicated otherwise)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006 (functional classification)

	Note	for the period od 01.01.2006 do 31.12.2006	for the period od 01.01.2005 do 31.12.2005
Continued operations			
Net sales		**3 236 977 047**	**1 687 137 016**
Net sales of traded goods		3 167 298 403	1 640 908 755
Net sales of services		69 678 644	46 228 261
Net sales of materials		-	-
Prime costs of sales		**(2 930 782 226)**	**(1 456 655 458)**
Costs of sold traded goods		(2 930 782 226)	(1 456 655 458)
Costs of sold services		-	-
Costs of sold materials		-	-
Gross profit (loss) on sales		**306 194 820**	**230 481 558**
Costs of sales		(169 313 656)	(124 402 701)
Costs of general management		(77 024 673)	(54 894 032)
Profit (loss) on sales		**59 856 492**	**51 184 825**
Other operating revenues		8 177 086	4 707 550
Other operating costs		(12 816 309)	(11 240 638)
Share in profits of companies consolidated with the equity method		-	-
Costs of restructuring		-	-
Operating profit (loss)		**55 217 269**	**44 651 738**
Financial revenues		4 963 554	2 522 607
Financial costs		(6 049 642)	(5 491 153)
Other profit (loss) on investments		-	-
Profit (loss) before tax		**54 131 181**	**41 683 192**
Income tax		(12 558 789)	(9 117 043)
Net profit (loss) on continued operations		**41 572 392**	**32 566 149**
Discontinued operations			
Net loss on discontinued operations		-	
Net profit (loss)		**41 572 392**	**32 566 149**

NET EARNINGS PER SHARE

	Note	PLN/share	PLN/share
Net profit (loss) on continued operations		41 572 392	32 566 149
Net profit (loss) on continued and discontinued operations		41 572 392	32 566 149
Weighted average number of shares		127 742 000	127 742 000
Weighted average diluted number of shares		134 615 730	134 129 100
from continued operations			
- basic		0,33	0,25
- diluted		0,31	0,24
from continued and discontinued operations			
- basic		0,33	0,25
- diluted		0,31	0,24

All amounts are expressed in Polish zloty (unless indicated otherwise)

BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	as at 31.12.2006	as at 31.12.2005
Assets			
Fixed assets (long-term)		**262 001 298**	**180 607 408**
Goodwill		33 823 699	-
Intangible fixed assets		117 191 229	110 819 059
Tangible fixed assets		108 997 566	67 732 878
Investment real property		51 977	-
Investments in subsidiary companies		-	-
Long-term financial assets available for sale		-	-
Other long-term financial assets		-	-
Long-term receivables		1 588 307	555 759
Long-term prepayments		348 521	1 499 712
Deferred income tax assets		-	1 103 455
Other long-term prepayments		348 521	396 256
Current assets (short-term)		**436 118 658**	**261 334 348**
Invetories		209 544 886	120 260 552
Trade receivables		159 864 271	36 889 803
Current income tax receivables		-	-
Other short-term receivables		23 138 411	2 706 467
Short-term financial assets available for sale		-	-
Short-term financial assets held for trade		-	-
Other short-term financial assets		-	-
Cash and cash equivalents		41 246 629	99 044 764
Short-term prepayments		2 324 460	2 432 762
Fixed assets classified as held for sale		-	-
Total assets		**698 119 956**	**441 941 757**

All amounts are expressed in Polish zloty (unless indicated otherwise)

BALANCE SHEET AS AT 31 DECEMBER 2006

Liabilities	Note	as at 31.12.2006	as at 31.12.2005
Equity		**199 032 578**	**175 749 434**
Share capital		127 742 000	127 742 000
Supplementary capital		29 059 203	14 782 302
Treasury shares/equities		-	-
Capital reserve		-	-
Hedge transactions valuation capital		-	-
Fixed assets held for sale recognised in equity		-	-
Retained earnings		42 231 375	33 225 132
Profit (loss) of prior years		658 983	658 983
Net profit (loss) of the current year		41 572 392	32 566 149
Liabilities		**499 087 378**	**266 192 323**
Long-term liabilities		**19 228 821**	**4 670 131**
Long-term loans and credits		-	-
Other long-term financial liabilities		12 734 894	4 313 378
Other long-term liabilities		2 499 999	-
Deferred income tax provision		3 492 169	-
Provision for employee benefits		501 759	356 753
Other long-term provisions		-	-
Short-term liabilities		**479 858 556**	**261 522 192**
Short-term loans and credits		73 502 624	-
Other short-term financial liabilities		2 535 759	1 743 252
Trade liabilities		371 191 217	236 854 087
Current income tax liabilities		3 537 007	4 188 247
Other short-term liabilities		18 753 068	8 141 837
Short-term provisions		10 338 882	10 594 769
Liabilities due to fixed assets held for sale		-	-
Total liabilities		**698 119 956**	**441 941 757**

All amounts are expressed in Polish zloty (unless indicated otherwise)

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006 (indirect method)

	for the period od 01.01.2006 do 31.12.2006	for the period od 01.01.2005 do 31.12.2005
Operating cash flow		
Net profit before tax	**54 131 181**	**41 683 192**
Adjustments:	37 369 216	29 893 706
Depreciation	32 055 635	25 553 626
(Profit) loss on sold tangible fixed assets	1 469 538	2 212 996
(Profit) loss on sold financial assets available for sale	(1 344 000)	-
Costs of interest	5 188 042	4 153 169
Interest received	-	(2 026 086)
Operating cash before changes in working capital	**91 500 397**	**71 576 898**
Changes in inventory	(31 742 610)	(7 979 790)
Changes in receivables	(73 048 860)	1 223 616
Changes in liabilities	64 444 932	35 118 995
Changes in provisions and accruals	1 623 722	(1 841 868)
Other adjustments	2 466 541	371 779
Operating cash	**55 244 123**	**98 469 630**
Interest paid	(5 955 824)	(2 543 168)
Income tax paid	(11 010 618)	(4 754 640)
Net operating cash	**38 277 680**	**91 171 823**
Investment cash flow		
Expenditures for purchased intangible fixed assets	(12 946 666)	(11 308 606)
Receipts from sold intangible fixed assets	84 000	2 600
Expenditures for purchased tangible fixed assets	(61 577 560)	(15 301 486)
Receipts from sold tangible fixed assets	20 381 435	265 470
Expenditures for purchased financial assets as held for sale	(3 993 000)	-
Receipts from sold financial assets as held for sale	5 337 000	-
Expenditures for purchased subsidaries (less for cash taken)	(38 277 665)	-
Interest received	-	2 026 086
Net investment cash	**(90 992 456)**	**(24 315 936)**
Financing cash flow		
Receipts due to taking loans and credits	20 836 532	-
Repaid liabilities under financial lease	(5 088 921)	(1 414 184)
Interest	(392 250)	(311 847)
	(20 438 720)	-
Net financing cash	**(5 083 359)**	**(1 726 031)**
Net change in cash and cash equivalents	**(57 798 135)**	**65 129 856**
Cash and cash equivalents at the beginning of the period	99 044 764	33 914 908
Change due to exchange gains (loss)	-	-
Cash and cash equivalents at the end of the period	**41 246 629**	**99 044 764**

All amounts are expressed in Polish zloty (unless indicated otherwise)

CONSOLIDATED STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	Share capital	Supplementary capital	Retained earnings	**Total**
Balance as at 1 January 2005	**127 742 000**	**579**	**14 262 994**	**142 005 573**
Changes in the principles (policy) of accounting	-	-	658 983	**658 983**
Balance upon changes	**127 742 000**	**579**	**14 921 977**	**142 664 556**
Changes in equity in the period from 1 January to 31 December 2005				
December 2005	-	14 262 994	18 303 155	32 566 149
Total profit and loss recorded in the period from 1 January to 31 December 2005	**-**	**14 262 994**	**18 303 155**	**32 566 149**
Issued options convertible into shares	**-**	518 729	**-**	518 729
Balance as at 31 December 2005	**127 742 000**	**14 782 302**	**33 225 132**	**175 749 434**
Balance as at 01 January 2007	**127 742 000**	**14 782 302**	**33 225 132**	**175 749 434**
Balance after changes	**127 742 000**	**14 782 302**	**33 225 132**	**175 749 434**
Changes in equity in the period from 1 January to 31 December 2007				
December 2006	-	12 127 429	29 444 963	41 572 392
Total profit and loss recorded in the period from 1 January to 31 December 2006	**-**	**12 127 428,64**	**29 444 963,22**	**41 572 391,86**
Dividends	-	-	(20 438 720)	(20 438 720)
Issued options convertible into shares	-	2 149 472	-	2 149 472
Balance as at 31 December 2006	**127 742 000**	**29 059 203**	**42 231 375**	**199 032 578**

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 01 JANUARY 2006 TO 31 DECEMBER 2006

1. GENERAL INFORMATION

1.1. DISCLOSURE OF THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the information given in the current report on 26th April 2006 to the Polish Securities and Exchange Commission, Eurocash S.A. discloses the consolidated report with the abbreviated consolidated financial statements on 25th April 2007.
Eurocash is a joint-stock company whose shares are publicly traded.

1.2. INFORMATION CONCERNING THE GROUNDS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS, REPORTING CURRENCY AND APPLIED LEVEL OF ROUND – OFFS

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards.
The reporting currency of these separate financial statements is Polish zloty and any amounts are rounder-off to full Polish zloty (unless provided otherwise).

1.3. COMPARISON OF FINANCIAL STATEMENTS

On March 31st 2006, the capital group has been established. For the comparison purposes in the abbreviated consolidated financial statements, unit financial data of Eurocash S.A. were used.
The accounting standards and calculation methods applied while preparing the abbreviated consolidated financial statements have not been changed in comparison to those applied in the last annual financial statements.
Data for comparable periods contained in the financial statements, was not restated in relation to the previously disclosed financial data.

1.4. INFORMATION ON THE PARENT ENTITY ANDTHE CAPITAL GROUP

The Eurocash capital group consists of Eurocash S.A. and its subsidiary company KDWT S.A.

The parent entity is Eurocash Spółka Akcyjna, registered in the District Court of Poznań, XXI Commercial Division of the National Court Register, entry no KRS 00000213765, with its registered seat in Komorniki, ul. Wiśniowa 11.
The core business of the Company is the other wholesale (PKD 5190 Z).
Eurocash S.A. shares are listed on the Warsaw Stock Exchange.

The subsidiary entities are:

- KDWT Spółka Akcyjna, registered in the District Court of Poznań, XXI Commercial Division of the National Court Register, entry no KRS 0000040385, located in Komorniki, Wiśniowa 11,
- Eurocash Franszyza Sp. z o.o., registered in the District Court of Poznań, XXI Commercial Division of the National Court Register, entry no KRS 0000259846, located in Komorniki, Wiśniowa 11,
- Eurocash Detal Sp. z o.o., registered in the District Court of Poznań, XXI Commercial Division of the National Court Register, entry no KRS 0000259826, located in Komorniki, Wiśniowa 11.

The data presented in the consolidated financial statements include the unit results of the companies mentioned below that are covered by the consolidated financial statements.

All amounts are expressed in Polish zloty (unless indicated otherwise)

Entities comprising the Eurocash capital group covered by the consolidated financial statements as of 31.12.2006

name of entity	Eurocash S.A.	KDWT S.A.	Eurocash Detal sp. z o.o.	Eurocash Franszyza sp. z o.o.
seat	Wiśniowa 11, 62-052 Komorniki	Wiśniowa 11, 62-052 Komorniki	Wiśniowa 11, 62-052 Komorniki	Wiśniowa 11, 62-052 Komorniki
core business	PKD 5190Z	PKD 5135Z		
registry court	District Court of Poznań, XXI Commercial Division of the National Court Register KRS 0000213765	District Court of Poznań, XXI Commercial Division of the National Court Register KRS 0000040385	District Court of Poznań, XXI Commercial Division of the National Court Register KRS 0000259826	District Court of Poznań, XXI Commercial Division of the National Court Register KRS 0000259846
entity status	Parent entity	Subsidiary entity	Subsidiary entity	Subsidiary entity
applied consolidation method	Full	Full	Full	Full
date of taking over control	n/a	31.03.2006	10 July 2006	10 July 2006
Share in share capital (%)	n/a	100%	100%	100%
Share in total number of votes (%)	n/a	100%	100%	100%

Detailed information concerning business combination of the units have been presented in Note no 1 to the abbreviated consolidated financial statements.

1.5. ACTIVITY CONTINUATION

The statements were prepared with the assumption of continuation of business activity in the foreseeable future – there are no circumstances indicating any risk of continuation of the activity.

2. APPLIED ACCOUNTING RULES

2.1. ACCOUNTING RULES

Financial statements are prepared in accordance with the historical cost concept.
The most significant accounting rules applied by the Group were presented in points 2.2 – 2.27.

2.2. FINANCIAL YEAR AND REPORTING PERIOD

The financial year of Group Eurocash is a calendar year.
The reporting period is a month.

2.3. MAINTAINANCE OF ACCOUNTING BOOKS

The accounting books are maintained in the Polish language and Polish currency.
The accounting books are kept at the Companies office located at Wiśniowa 11 in Komorniki, near Poznań.

2.4. FORMAT AND CONTENTS OF THE ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

The financial statements are prepared as for the date of closing of accounting books or as for any other balance-sheet date.

The abbreviated consolidated statements include in particular:

- General information
- Abbreviated consolidated profit and loss account
- Abbreviated consolidated balance–sheet
- Abbreviated consolidated cash flow statement
- Abbreviated consolidated statement of changes in equity
- Supplementary information

2.5. INTANGIBLE ASSETS

Definition

Intangible assets include economic rights acquired by the Group for the use of the entity's own purposes, which are economically usable and their assumed useful economic life is longer than one year.

The Group's intangible assets include:

- Licenses on computer software,
- Economic copyrights,
- Rights to trademarks, utility and decoration models,
- Know-how,
- Perpetual usefruct rights,
- Other intangible assets.

Initial value of intangible assets

The initial value of intangible assets is the acquisition cost, which includes the amount due to the seller and other costs directly related to the acquisition of the intangible assets.

Amortisation

Amortisation is calculated for all intangible assets, with the exception of the right of perpetual usufruct. The assessment of useful economic life takes into account the time in which the intangible assets will bring measurable economic benefits. If the assessment of useful economic life is difficult or the expected measurable benefits are uncertain, then in accordance with the conservative valuation principle, the write-off should be fully charged to expenses.

The Group applies the following annual amoritsation rates for specific groups of intangible assets:

▪ licenses – computer software	33.3%
▪ economic copyrights	20%
▪ trademarks	5% - 10%
▪ know-how	10%
▪ other intangible assets	20%

Due to difficult to specify/ indefinite period of using the “Eurocash”, “ABC” and “KDWT” trademarks, they are not amortised, but only periodically tested for the impairment of value with frequency assuring that no material differences between the book value and recoverable amount at the balance–sheet date occurred. The “Eurocash”, “ABC” and “KDWT” trademarks are tested for the impairment of value annually.

Review of amortization rates and write-offs on permanent impairment of value

Not later than at the end of each financial year are the amortization rates applied to the value of intangible assets subject to a review. If the amortization rates require adjustment, the adjustment is made in the following financial year and subsequent financial years.

Not later than at the end of each financial year the intangible assets are also subject to a review with respect to the permanent impairment of value and the need to make relevant revaluation write-offs. These write-offs should be charged to other operating expenses not later than at the balance-sheet date, i.e. in the year when the permanent impairment of value was assessed.

In accordance with the requirements specified in IAS no 36 regarding the assessment test whether there has not appeared an impairment of value of the intangible assets with indefinite time of usage, the Group holds the impairment value test comparing balance-sheet value of a certain item with its recoverable value, regardless whether there is any basis for such value impairment to occur.

Valuation of intangible assets as at the balance–sheet date

At the end of the financial year (i.e. the balance-sheet date), intangible assets are to be valued at their acquisition cost less amortization write-offs and write-offs on permanent impairment of value.

2.6. TANGIBLE FIXED ASSETS

Definition

Tangible fixed assets include Group-controlled tangible fixed assets suitable for economic use (they are useable and intended for the use of the Group's own purposes), whose expected economic useful life is longer than a year.

The Group's tangible fixed assets include:

- Buildings and premises,
- Perpetual usufruct rights,
- Technical equipment and machinery,
- Vehicles,
- Other tangible fixed assets (furniture, etc.),
- Tangible fixed assets under construction,
- Prepayments for tangible fixed assets under construction.

Initial value of tangible fixed assets

The initial value of tangible fixed assets is equal to the acquisition cost, which is the acquisition price of a tangible fixed asset including the amount payable to the seller (without the deductible value added and excise taxes).
As for imports, the acquisition cost also includes public - law charges.

Acquisition cost also includes costs incurred directly in connection with acquisition of a tangible fixed asset and its adjustment in order to make it useful, or introduction into trading, including transportation, loading, unloading and storage costs as well as costs of introducing tangible fixed assets into trading, and reduced by rebates, discounts and other similar reductions and recoveries.
Should it be impossible to determine the acquisition cost of a certain tangible fixed asset, in particular of a tangible fixed asset accepted free of charge, including as a donation, acquisition cost shall be established at the selling price of the same or similar item, i.e. fair value.

The cost of production of tangible fixed assets under construction includes all costs incurred during the period of their construction, assembly, adaptation and improvement until the balance-sheet date or their acceptance for use, including:

- non-deductible value added and excise taxes,
- cost of servicing liabilities incurred in order to finance such tangible fixed assets and any related foreign exchange gains/losses less any income generated from it.

Amortisation

Amortisation is calculated for all tangible fixed assets with the exception of owned lands and tangible fixed assets under construction, through the estimated time of useful economic life, using the straight–line method with the application of the following annual depreciation rates:

▪ buildings and structures	10%
▪ technical equipment and machinery	10% - 60%
▪ vehicles	14% - 20%
▪ other tangible assets	20%

In justified cases (when the benefits generated by the assets are not distributed evenly in time), another applicable depreciation method is applied (for example declining method or any other – in each case justified by the distribution of usefulness of an asset). Currently, the Group applies the straight-line method only to amortise tangible fixed assets.

Tangible fixed assets are amortised using the straight-line method starting from the month following the month when the asset is placed in service. Amortisaton is calculated on a monthly basis.
Profits or losses resulting from sale, disposal or discontinuance of use of tangible fixed assets are assessed as the difference between sales revenues and the net value of tangible fixed assets and are included in the profit and loss statement.

Review of amortization rates, permanent impairment of value write–offs
Not later than at the end of each financial year the amortization rates and methods applied to the tangible fixed assets are subject to a review. If the amortization rates and methods require adjustment, the adjustment is made in the following financial year and subsequent financial years.

Not later than at the end of each financial year tangible fixed assets (tangible fixed assets, tangible fixed assets under construction) are also subject to a review with respect to the permanent impairment of value and the possible need to make relevant revaluation write-offs. The element indicating it is necessary to make a relevant write-off is accepting the fact that it is very likely that a tangible fixed asset will not generate a significant part of the expected economic benefits in the future or that it will not generate any economic benefits at all. Permanent impairment of value occurs, for example, in the event of a disposal or a withdrawal of a certain asset from use.
Revaluation write-offs should be made and charged to other operating expenses not later than at the balance-sheet date (i.e. in the year when the permanent impairment of value occurred).

In the event that the cause for which the revaluation write-offs is made, including permanent impairment of value, ceases, the equivalent of the entire or a relevant part of the revaluation write-off previously made increases the value of the given asset and is included in either other operating or financial income.

Valuation of tangible fixed assets as at the balance-sheet date
Tangible fixed assets are recognized in the accounting books in accordance with the acquisition cost or the production cost less accumulated amoritsation and accumulated revaluation write–offs on permanent impairment of value.

Tangible assets under construction that are to be used in the operational activity are presented in the balance-sheet in accordance with their production cost less impairment of value write-offs. The production cost is increased by the payments and, for certain assets, by external financing expenses capitalized in accordance with the rules specified in the accountancy principles.

Stocktaking of fixed assets
Stocktaking of fixed assets is conducted every four years.

2.7. EXTERNAL FINANCING COSTS

External financing expenses connected directly with an acquisition or production of adjusted assets are included in the production costs of such tangible assets until the assets are useable. Such costs are decreased by the income generated from temporary investments of the funds gained for the purposes of manufacturing of the assets.

The costs of external financing include interest and other costs incurred by the entity connected with borrowing the funds.

Any other costs of external financing are charged directly to the profit and loss account in the period in which they were incurred.

2.8. LEASING

A lease agreement is considered a finance lease if all the risks and economic benefits relating to the ownership of the lease subject are transferred to the lessee. Any other types of leasing are regarded as operating leasing.

Assets used on the basis of finance lease agreements are considered equally with own assets of the Group and are valued at the commencement of the lease agreement in accordance with the lesser of the two values: fair value of the asset, which is the leasing subject or the current value of the minimal leasing charges. Leasing payments are divided into the interest part and the capital part in such a manner as to let the interest rate from the outstanding amount be a fixed amount.

Lease liability is recognized under "Financial liabilities" item in division into short- and long-term liabilities.

The finance lease assets are depreciated during the shorter of the two terms: the finance lease agreement term or the useful economic “life” of the leased asset.

Lease payments due to operating leasing are applied to the profit and loss account with the straight-line method during the lease period.

2.9. INVESTMENT REAL ESTATE

Real estate is considered an investment real estate if it is recognized as the source of rent income and/or is owned with respect to an expected increase in its value.
Investment real estate is valued in accordance with the acquisition cost or production cost after including the transaction costs. Investment real estate is valued as at the balance – sheet date in accordance with the acquisition cost or the production cost less the up-to-date depreciation and accumulated impairment of value revaluation write–offs.

2.10. INVESTMENT IN SUBSIDIARY COMPANIES

At 31st March 2006 Eurocash purchased 100% shares of KDWT, located in Komorniki, at Wiśniowa 11 street and signed to National Court Register under KRS 0000040385 number.

On 10th June 2006 Eurocash S.A. has established two new subsidiaries, Eurocash Detal with no KRS 0000259826 and Eurocash Franszyza with no KRS 0000259846, both are register in the District Court in Poznań, XXI Commercial Division of the National Court Register.

According to International Accounting Standard no 27 investment in subsidiary the company shows in acquired price.

2.11. LONG-TERM ACCOUNTS RECEIVABLES

Definition

Long-term accounts receivable include receivables which are due more than one year from the balance-sheet date.

The portion of long-term receivables that is due within one year from the balance-sheet date should be disclosed under short-term accounts receivable.

Long-term accounts receivable include prepaid security deposits, which are under long-term (multi-year) store lease agreements.

Valuation of long-term accounts receivable

Accounts receivable are valued in accordance with its fair value plus direct transaction costs. Accounts receivable are valued as at the balance-sheet date at amortised acquisition value, with the use of an effective interest rate less possible revaluation write-offs of such receivables.

2.12. LONG-TERM PREPAYMENTS AND ACCRUED INCOME

Deferred income tax assets

The Group creates deferred tax assets as at the balance-sheet date if the assets can be a source of economic benefit to the entity in the future.

Due to the timing differences between the value of assets and equity and liabilities disclosed in the accounting books, and their tax value and the future deductible tax loss, the entity creates a provision and recognizes deferred income tax assets.

The tax value of assets is the amount that causes a reduction of taxable income in the event that the assets are, directly or indirectly, the source of economic benefits. If economic benefits related to given assets do not cause a reduction in taxable income, then the tax value of the assets is considered their book value.

The tax value of liabilities is their book value less the amounts that in the future will reduce taxable income.

Deferred income tax assets are apprised at the amount assumed in the future to be deducted from income tax in connection with negative timing differences, which will result in the future in a reduction of taxable income and a deductible tax loss established in line with the principle of conservative valuation.

The value of deferred tax assets is established taking into account the income tax rates that are in force in the year when the tax obligation arises.

In accordance with IAS no 12, the Group applies compensation of deferred tax assets and provisions.

The differed part recognized in the „Income tax" item disclosed in the profit and loss account is the difference between the amount of the differed tax liabilities and assets as at the end of the reporting period, and as at the beginning of such a period.

The differed tax assets and provisions related to the operations settled under the own capital (fund), shall also be applied to the own capital (fund).

Other long–term prepayments and accrued income

Other long-term prepayments and accrued income include expenses incurred until the balance-sheet date, representing costs of future reporting periods, within the period exceeding 12 months from the balance-sheet date.

At every balance-sheet date an analysis of long-term prepayments and accrued income is conducted. The portion of prepayments and accrued income which is realized within 12 months from the balance-sheet date should be disclosed as short-term prepayments and accrued income.
The above analysis is made by the Group in respect of reasonable judgment and its knowledge of the particular elements of the prepayments and accrued income.

2.13. FIXED ASSETS AND GROUPS OF NET FIXED ASSETS INTENDED FOR DISPOSAL

Fixed assets classified as intended for disposal and groups of net fixed assets intended for disposal are valued by the lower of the two values: balance-sheet or fair value less costs of sale.

Fixed assets (or a group for disposal) are classified as intended for sale if their balance-sheet value is recovered due to a sale transaction rather than due to their further use.
Such situation occurs if the following conditions are fulfilled:

- assets element (or a group intended for sale) is available for an immediate sale at its current state, considering only ordinary and commonly accepted conditions of selling assets (or a group intended for sale) of such type and its sale is highly likely;
- representatives of a relevant level of management are determined to complete the sales plan of the assets element (or a group intended for sale);
- an active program of soliciting a purchaser and completion of the program has been commenced;
- assets element (or a group intended for sale) must be actively offered for sale at a price which is rational in reference to its current fair value;
- the sale will be recognized as completed within one year from the day of classification, and the activities necessary for the completion of the program indicate that it is highly unlikely that any significant changes in the program will be made or that the program will be withdrawn from.

2.14. INVENTORIES

Definition

The Group's inventories include:

- Goods acquired intended for sale in the course of ordinary activity,
- Materials acquired to be used for the Group's own needs,
- Prepayments for deliveries of materials and goods.

Rules for establishing acquisition price

Acquisition cost is assessed using the first in – first out (FIFO) method. The Group applies this method of assessing acquisition cost in relation to all inventories positions.

Acquisition cost includes all costs of purchase and other costs incurred in the course of bringing inventories to their current place and state.

Purchase costs include acquisition cost, import duty and other taxes (other than taxes that may be recoverable later by an entity from the tax office) as well as the costs of transport, loading and unloading and other costs directly connected with the goods.
While defining, the purchase costs are reduced by rebates, discounts and other similar items.

Valuation of inventories as at the balance-sheet date
During the year, inventories are evidenced in the accounting books at the most recent acquisition price of the relevant inventories item. Inventories are valued at the balance-sheet date at the most recent acquisition price adjusted by relevant revaluation write-offs.
Valuation at the most recent acquisition prices taking into account the specifics of trading conducted by the Group and in particular fast rotation of stock, means that this is not very different from the FIFO valuation.

The Group recognizes the following circumstances in which revaluation write–offs on inventories are necessary:

- loss of usable value of stock (damage, obsolete stocks etc.),
- exceeding the balance of stock resulting from need or Group's ability to sell,
- slow rotation of stock,
- loss of market value due to decrease of sale prices lower than the level of stock valuation – net value possible to be gained.

The Group creates revaluation write-offs in accordance with the following rules:

- 100% on inventories kept for more than 9 months,
- 100% on damaged or obsolete inventories – identified during stocktaking,
- 100% on inventories which have lost their market value.

If the acquisition price is higher than the net sale price as at the balance-sheet date, the acquisition cost is reduced to the net sale price through a revaluation write-off.

Any revaluation write-offs on inventories are charged to other operating expenses.

Stocktaking
Inventories kept by the Group are subject to stocktaking in accordance with the stocktaking timetable. Stocktaking is considered to be continuous as each localization is, at least twice a year, subject to a planned stocktaking. Additionally, there are explanatory, controlling, acceptance and random stocktakings carried out.
Discrepancies between the actual balance of inventories and the balance disclosed in the books, revealed during the stocktaking, are analyzed, explained and settled in the accounting books for the year in which the stocktaking was carried out. Stocktaking results are disclosed in the accounting books on a monthly basis.

2.15. FINANCIAL INSTRUMENTS

Definition
The Group recognises each agreement, which simultaneously results in the creation of an item of financial assets with one party, and a financial obligation or an equity instrument with the other party as a financial instrument, provided that the contract concluded by two or more parties results in clear economic effects.

According to IAS no 39, the Group classifies financial instruments as:

- Financial assets or financial liabilities elements – these elements are valued at fair value on the basis of the profit and loss account acquired or incurred mainly to sell or buy back in near future or are a part of a portfolio of particular financial instruments which are managed jointly and for which the confirmation of the current and actual pattern of generation of short-term profits exists;
- Held-to-maturity investments – financial assets which are not derivative instruments, with payments that are defined or possible to define and with specified maturity, in relation to which the Group has strong intention and is able to maintain the ownership until their maturity;
- Loans and receivables – financial assets which are not derivative instruments, with defined or possible to define payments, which are not quoted on the active market;
- Financial assets available for sale – financial assets which are not derivative instruments, which were assessed as available for sale or which are not (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets valued at fair value by financial result.

Revaluation differences and the income generated or losses incurred, in line with the classification of a particular financial instrument, affect the financial result (liabilities) or the revaluation capital (equity instruments).
As of the day of acquisition, the Group recognizes financial assets and liabilities at cost (price) of the acquisition, i.e. the fair value paid for the assets or in the case of liabilities – the amount received. The Group includes the costs of transaction in the initial value of valuation of all the financial assets and liabilities in accordance with fair value through profit and loss account.

Valuation of financial instruments as at the balance-sheet date
The Group values:

- in accordance with amortised cost, taking into account effective interest rate: assets or financial liabilities held-to-maturity investments, loans and receivables, as well as other financial assets available for sale,
  In the event of the aforementioned items, they also may be assessed at the amount due, if the discount effects are not material,
- at due and payable amount: short-term receivables and liabilities,
- at fair value: traded financial assets and liabilities and financial assets intended for sale.

Changes in the fair value of traded financial instruments held for trading, which are not hedging instruments are recognized as financial income or costs at the time at which they arise.

2.16. TRADE AND OTHER SHORT-TERM RECEIVABLES

Trade receivables
Trade receivables include accounts receivable resulting from deliveries or services provided, which are due up to 12 months and exceeding 12 months.
This item does not include prepaid deliveries payable to suppliers, which are included in the inventories item, as well as any prepayments for intangible assets and tangible fixed assets under construction, which increase the fixed assets.

Other short-term receivables

Other short-term receivables include accounts receivable due within a period shorter than 1 year from the balance-sheet date, with the exception of trade receivables.

This item does not include any prepayments for intangible assets and tangible fixed assets under construction, which are included in the fixed assets.

Valuation of the trade receivables and other short-term receivables as at the balance-sheet date

Trade receivables and other short-term receivables are recognized in the books at the due amount adjusted by respective revaluation write-offs. The value of particular accounts receivable should be discounted to current value in case the impact of value of money in time is material.

The interest due for delays in payments by the Group's clients is disclosed at the moment of receipt of money by the Group.

Valuation of the accounts receivable denominated in foreign currency as at the balance-sheet date

Accounts receivable denominated in foreign currencies are subject to valuation not less than on the balance-sheet date, at the mid exchange rate given by the National Bank of Poland for that date.

The currencies exchange differences resulting from the accounts receivable denominated in foreign currencies, which arise as of the valuation date, are assigned either to financial income or to financial expenses respectively.

Receivables revaluation write-offs

Receivables revaluation write-offs are made for:

- accounts receivable from debtors declared bankrupt or liquidated – up to the amount of receivables, which is not covered by a guarantee or other security,
- accounts receivable from debtors in the event a petition in bankruptcy was dismissed due to the fact that such debtor's assets are insufficient to cover the costs of bankruptcy proceedings – up to the full amount of the receivables,
- accounts receivable questioned by the debtors – up to unsecured amount,
- accounts receivable past due or not yet past due, but highly likely to become past due – in the amount reliably estimated by the Group (based on past experience, reliable analysis, forecasts, etc),
- accounts receivable under court proceeding – 100% of the due amount of the receivables,
- accounts receivable past due exceeding 180 days – 100% of the due amount of the receivables.

Revaluation write-offs on the accounts receivable should take into account not only events which occurred until the balance-sheet date, but also the ones disclosed subsequent to that date, up to the day of approval of the financial statements by the Management Board for publication, in the event that such events relate to any receivables included in the accounting books as at the balance-sheet date.

The revaluation write-offs shall be charged to other operational costs, and in the event of interest – should be charged to financial expenses.

Verification of the receivables

Trade receivables as at the balance-sheet date are verified through confirmation of balances as at this date.

The results of the verification of the receivables are taken into account during the revaluation of the accounts receivable as at the balance-sheet date.

2.17. SHORT-TERM FINANACIAL ASSETS AS HELD FOR TURNOVER SECURITIES

Loans and receivables are financial assets which are not derivative instruments with established or recognizable payments, which are not objects of turnover on active market. After initial valuation of loans and receivables are valuated by depreciated cost with using method of effective percentage rate is lessen an impairment loss deductions. Depreciated cost is calculated with taken discount or bonus on acquisition and include fees which are integrated part of effective rate and transaction costs. Profits and loss are presented in Profit and Loss Account at the moment of remove loans and receivables from Balance Sheet or after affirmation impairment loss as well as depreciated cost settlement in time.

2.18. INVESTMENTS IN SECURITIES

Investments in securities are recognized as in trading or available for sale and valued at their fair value as at the balance-sheet date. In the event that the securities were classified as intended for trading, profits and losses resulting from the changes of fair value are disclosed in the profit and loss account for a particular period. In the case of assets available for sale, gains and losses resulting from the changes of their fair value are disclosed directly in capitals until the moment of disposal of such assets or recognition of impairment of value. In such an event accumulated gains and losses recognized previously in the capital are transferred to the profit and loss account for a particular period.

2.19. SHORT-TERM PREPAYMENTS AND ACCRUED INCOME

Short-term prepayments and accrued income include expenses incurred until the balance-sheet date which are the costs of future reporting periods, within the period of 12 months as of the balance-sheet date.

At every balance-sheet date an analysis of short-term prepayments and accrued income is conducted. The portion of prepayments and accrued income which is realized within 12 months from the balance-sheet date should be disclosed as short-term prepayments and accrued income.
The assessment is made by the Group in respect of reasonable judgment and its knowledge of the particular elements of the statements.

The short-term statements include, inter alia, the short-term part of the following items:

- prepaid rent,
- prepaid electricity and central heating,
- prepaid subscription and insurance,
- prepaid services (for example telecommunication services),
- advance payments for the equipment lease agreements.

2.20. LONG-TERM LIABILITIES

Long-term liabilities comprise liabilities with maturity exceeding 12 months as of the balance-sheet date.

Long-term liabilities comprise mainly:
- liabilities under contracted loans and borrowings,
- financial liabilities under finance lease agreements,
- liabilities towards sub-lessees of warehouse space under security deposits paid by such sub-lessees.

Valuation of long – term liabilities
Long – term financial liabilities are valued in accordance with fair value increased by the direct costs of transaction. As at the balance-sheet date, the liabilities are valued in accordance with the amortized acquisition cost with the use of an effective interest rate.

The liabilities resulting from the security deposits paid by the sub-lessees of warehouse space are valued at the due amount that also includes the unpaid interests.

Valuation of liabilities denominated in foreign currencies as at the balance-sheet date
Liabilities denominated in foreign currencies should be valued at least once in a reporting period at the balance-sheet date, at the mid-exchange rate quoted by the National Bank of Poland for a given currency for the valuation date.
Currency-translation differences related to long-term liabilities denominated in foreign currencies, arising as at the valuation date, are disclosed under financial income or expenses respectively.

2.21. SHORT – TERM LIABILITIES

Short-term liabilities comprise liabilities with maturity less than 12 months as of the balance-sheet date (excluding trade liabilities).

Short – term liabilities comprise mainly:
- liabilities under contracted loans and borrowings,
- financial liabilities under finance lease agreements,
- trade liabilities,
- liabilities under taxes, custom duties, social security and other benefits,
- salaries and wages liabilities.

Valuation of short – term liabilities
Short–term financial liabilities are valued in accordance with fair value increased by the direct costs of transaction. As at the balance–sheet date, the liabilities are valued in accordance with the amortized acquisition cost with the use of an effective interest rate.
Other short-term liabilities are disclosed as due amounts, which also include unpaid interest and unpaid interest provision. Interest is recorded at the time of receipt of interest notes.

Valuation of liabilities denominated in foreign currencies as at the balance-sheet date
Liabilities denominated in foreign currencies should be valued at least once in a reporting period at the balance-sheet date, at the mid-exchange rate quoted by the National Bank of Poland for a given currency for the valuation date.
Currency-translation differences related to long-term liabilities denominated in foreign currencies, arising as at the valuation date, are disclosed under financial income or expenses respectively.

2.22. BANK LOANS

Interest-bearing bank loans are disclosed at the acquisition cost corresponding with the fair value of the funds gained, less costs directly related to obtaining such loans. In subsequent periods, the loans are valued in accordance with the amortised acquisition price, with the usage of effective interest rate.

2.23. CAPITAL INSTRUMENTS

Capital instruments issued by the Group are disclosed at the value of the funds generated from the issue, less direct costs of the issue.

2.24. PROVISIONS

The provisions are made in cases where the Group is obliged (either legally or customary) due to past events and where it is likely that fulfillment of such obligation will result in an outflow of funds and where a reliable estimation of the amount of such a liability is possible.

The provisions comprise, inter alia, the following costs:

- remuneration and bonuses of employees,
- agency wholesale outlets commissions,
- rents and media,
- transportation costs,
- mail and telecommunication services,
- consulting services,
- financial statements auditing services.

The use of provisions may take place according to the time elapsed or the amount of payments. The time and method of settlement shall depend on the type of costs, subject to conservative valuation.

Liabilities disclosed under provisions reduce the costs of the reporting period in which it was found that such liabilities did not occur.

Valuation of provisions denominated in foreign currencies as at the balance-sheet date

Provisions denominated in foreign currencies should be valuated at least once in a reporting period at the balance-sheet date, at the mid-exchange rate quoted by the National Bank of Poland for a given currency for the valuation date.

Currency-translation differences related to the provisions denominated in foreign currencies, arising as at the valuation date, should be disclosed under financial income or expenses.

2.25. NET SALES

Net sales are recorded – in accordance with International Accounting Standard No. 18 “Revenues” – at fair value of payments received or due and represent receivables for goods and services delivered under an ordinary course of business, reduced by rebates, VAT and other sales taxes (excise tax).

Sale of goods

Revenues on sales are recognized upon fulfillment of the following conditions:

- the entity transferred significant risk and benefits resulting from the ownership rights to the goods to purchaser,

- the entity ceases its continuous involvement in management of the disposed goods to the extend such function is customarily executed towards the owned goods, and does not have effective control over the goods,
- the amount of income may be assessed in a reliable manner,
- there is a likelihood that an entity achieves economic benefits from the transaction,
- the costs incurred and to be incurred by an entity with regard to the transaction may be assessed in a reliable manner.

Provision of services

Revenues from the transaction are recognized on the basis of a level of execution of the transaction as at the balance-sheet date, in the case where the result of the transaction regarding provision of services may be valued in a reliable manner. The result of the transaction may be evaluated in a reliable manner, provided that all of the following conditions are met:

- the amount of revenues may be assessed in a reliable manner,
- there is the likelihood that an entity achieves economic benefits from the transaction,
- the level of the execution of the transaction may be defined in a reliable manner as at the balance-sheet date,
- the costs incurred in relation to the transaction and the costs of the completion of the transaction may be assessed in a reliable manner.

In the event that the result of the transaction regarding provision of services may not be reliably evaluated, revenues from the transaction will be recognized only to the amount of the costs incurred which the entity expects to recover.

Interest revenues are recognized gradually as they arise in relation to the main amount due, in accordance with the effective percentage rate method.

Dividend revenues are recognized at the moment of establishing the right of the shareholders to receive such dividends.

2.26. EMPLOYEE BENEFITS

In accordance with the provisions of the International Accounting Standards, the Group includes in its financial statements the costs of retirement and other employee benefits provided after termination of their employment, by creating a provision for retirement benefits.

The application of IAS no 19 “Employee Benefits” resulted in creation of a provision for employee benefits after termination of employment with the application of the “Projected Unit Credit”. The actuarial forecast of projected unit method was prepared by a certified actuary. Liabilities identified on the memorial basis were assessed as future discounted payments, adjusted by employees rotation rate and demographic rate, to which the employees were entitled as at the balance-sheet date.

2.27. TAXES

Obligatory tax charges for a given reporting period include: current taxes and deferred taxes.

The current tax charges are calculated on the basis of tax result (tax base) of the particular financial year. Tax profit (loss) is different from the accounting net profit (loss) due to the exclusion of taxable revenues and costs of income acquisition in the following years and the income and cost items which are no subject to taxation. Tax charges are calculated based on the tax rates applicable for particular financial year.

Deferred tax is assessed with the use of the balance-sheet method as a payable or returnable tax in the future, on the differences between the balance-sheet amounts of assets and liabilities and corresponding amounts used for taxation purposes.

The deferred tax provision is created from all taxable positive timing differences, however deferred tax asset is recognized to the amount in which it is likely that it will decrease future tax gains by recognized negative timing differences. The tax assets or liabilities do not arise in the event that the timing differences arise from the goodwill of the Group or initial recognition of assets or liabilities in the transaction that affects neither accounting nor taxable profit.

The value of the deferred tax assets is analyzed as at each balance-sheet date, and in the event that expected future tax gains will not be sufficient to realize such an asset or its part, its write-off is conducted.

The deferred tax is calculated on the basis of the tax rates which will be in force in the moment of realization of such asset item or in the moment when the liability will be due. The deferred tax is disclosed in the profit and loss statement except when it relates to items charged directly to equity. In such a case the deferred tax is also dealt with equity.

2.28. BUSINESS COMBINATIONS AND THE BASIS OF CONSOLIDATION

Subsidiaries

Entities in relation to which the Group has the ability to manage their financial and operating policy in order to gain profits from their operations are recognized as subsidiaries in the consolidated financial statements. It is directly related to an ownership of a majority of the total number of votes in the governing bodies of such entities. The existence and the impact of potential voting rights which may be executed or exchanged in a particular moment must be taken into account while conducting evaluation whether the Group is in control over a particular entity.

Accounting method

Pursuant to IFRS no 3, the Group applies the purchase method as the accounting method for the business combinations.

Costs of business combination

The costs of business combination are valued as the sum of the fair values at the date of exchange of given assets, incurred or assumed liabilities and equity instruments issued by the acquirer with regard to the business combination, plus any potential costs directly attributable to the combination of business units.

The date of an acquisition

The day on which the acquirer obtains actual control of the acquiree is the acquisition day. In the event that such acquisition is executed in a way of a single exchange transaction, the date of exchange is the same date as the acquisition date.

In the event that the business combination is conducted in a way of more than one exchange transaction, for instance when the transaction is concluded in stages, via subsequent acquisitions of shares. In such an event:

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

Selected consolidation procedures

The balance-sheet value of an investment of a dominant entity in each subsidiary is subject to an exclusion under the consolidation procedure, respectively with this part of own capital of each subsidiary which reflects the particular share of the dominant entity.

Transactions, settlements, revenues, costs, and unrealized profits included in the assets resulting from the transactions conducted among the companies within the Group are eliminated. Unrealized losses are also subject to elimination, unless a transaction proves the impairment of value of the given asset.

Allocation of the business combination costs

The acquirer recognizes, at the acquisition date, the costs of the business combination, including identifiable assets, liabilities and contingent liabilities of the acquiree, which meet the criteria specified in paragraph 37 of the IFRS no 3, at their fair value as at this day, with the exception of fixed assets (or the group of assets intended for sale) classified as “Intended for sale” in accordance with IFRS no 5 “Non-current assets held for sale and discontinued operations” which are presented at their fair value less the costs of sale.

The acquirer recognizes separately identifiable assets, liabilities and contingent liabilities at the acquisition date only if they satisfy the following criteria at that date:

- in the case of an asset other than an intangible asset, it is probable that any associated future economic benefits will flow to the acquirer and the fair value of such asset can be reliably measured;
- in the case of a liability other than a contingent liability, it is probable that an outflow of resources which embody economic benefits will be required to settle an obligation, and its fair value can be reliably measured;
- in the case of an intangible asset or a contingent liability, its fair value can be reliably measured.

Goodwill

As at the acquisition date, the acquirer:

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

and

- initially measures the goodwill in accordance with the acquisition price, being the excess of the cost of the business combination over the acquirer’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities.

Upon the initial recognition, the acquirer measures the goodwill of the acquiree acquired in the course of acquisition in accordance with the acquisition price less the total amount of current impairment of value write-offs.

If the acquirer's interest in the net fair value of the acquired identifiable assets, liabilities or contingent liabilities exceeds the costs of the business combination, the acquirer:

- conducts subsequent evaluation of the recognition and measurement of identifiable assets, liabilities and contingent liabilities of the acquiree and the valuation of the cost of business combination

and

- recognizes immediately in the profit or loss potential gain resulting from the execution of the subsequent evaluation.

2.29. OPERATIONS SEGMENTS – BUSINESS AND GEOGRAPHICAL

Pursuant to IAS no 14, Segment reporting, the Group is obligated to present results of its operations by operations segments.
In accordance with the provisions of the IAS, such a presentation help the user of financial statements to:

- better understand the results achieved by the entity,
- better assess the risks and returns on investment of an entity,
- make more justified judgments about the entity as a whole.

Segmentation of presented performance results is crucial in assessment of risks and returns on investments of an entity with a diversified operations profile or multinational entity, when obtaining required information from the aggregated data may not be possible.

IRS no 14 presents the following definitions:

Business segment
A business segment is a distinguishable part of an entity, which provides products or services or a group of related products or services, which is subject to risks and returns on investments that are different from those of other business segments.

Geographical segment
A geographical segment is a distinguishable part of an entity, which provides products or services in a particular economic environment and that is subject to risks and returns on investments that are different from those operating in other economic environments.

Eurocash Group conducts its operations exclusively within the territory of Poland, which in terms of economic conditions and risks related to conducting operations may be considered as homogeneous. The above-mentioned determines the selection of the business sectors as the basic reporting scheme and the geographical segment as the supplementary one.

As a result of the analysis of the business activities conducted by the Eurocash Group, taking into consideration the regulations specified in IAS 14 Segment reporting, the Group made a decision to distinguish the following business segments of the capital Group:

- traditional wholesale – wholesale operations conducted by the Cash & Carry discount chain, including the entire operations of the dominant entity - Eurocash S.A.
- active distribution – wholesale operations in the area of specialist active distribution of the FMCG goods, including the entire operations of the subsidiary - KDWT S.A.

The Group does not distinguish any other areas than Poland with regard to geographical segments.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTES TO THE CONSOLIDATED FINANCIAL STATMENTS PREPARED FOR THE PERIOD FROM 01 JANUARY 2006 TO 31 DECEMBER 2006

NOTE NO 1
BUSINESS COMBINATION

As a result of fulfillment of conditions precedent resulting from the agreement concluded on 15th December 2005 between Eurocash S.A. and previous shareholders of KDWT S.A., on 31st March 2006 Eurocash S.A. has become an owner of 100% of shares in KDWT S.A. and has taken control over the Company. Detailed information concerning business combination pursuant to the requirements of IFRS no 3 are presented below.

1. General information

Table no 1

GENERAL INFORMATION CONCERNING BUSINESS COMBINATION OF THE UNITS

1. Name of acquired company	KDWT SPÓŁKA AKCYJNA
2. Core business	wholesale distribution of tobacco, food and pharmaceutical products (PKD 5135Z)
3. Acquisition date	March, 31 2006
4. Acquired stake (%)	100% of shares
5. Acquisition cost	**PLN 61 013 012**

2. A disposal of a part of business with regard to the business combination

The Eurocash Group has no intention to dispose any part of the business with regard to the acquisition of KDWT S.A.

3. Settlement of the business combination

Acquisition of control over KDWT S.A. took place on 31st March 2006. This consolidated financial statement shows a complete manner the final fair values of identifiable assets, liabilities and contingent liabilities.

4. The costs of the acquisition

Table no 2

ACQUISTION COST

	as of 31.03.2006
Cash	**59 999 992**
Direct acquistion costs	
Tax on civil law transactions	600 000
Costs of consulting services (legal, accounting, etc.)	413 020
	61 013 012

5. Amounts considered at the acquisition date for every category of assets, liabilities and contingent liabilities of OPE Carment.

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 3

NET ASSETS ACQUIRED

	Fair value	Book value before acquisition
	31.03.2006	31.03.2006
Fixed assets (long-term)	**23 763 791**	**11 951 642**
Intangible fixed assets	13 551 170	547 170
Goodwill	-	1 191 851
Tangible fixed assets	9 621 179	9 621 179
Investment real property	-	-
Investments in subsidiary companies	-	-
Long-term financial assets available for sale	-	-
Other long-term financial assets	61 885	61 885
Long-term receivables	-	-
Long-term prepayments	529 557	529 557
Deferred income tax assets	529 557	529 557
Other long-term prepayments	-	-
Current assets (short-term)	**106 091 193**	**106 091 193**
Inventories	41 312 915	41 312 915
Trade receivables	53 364 205	53 364 205
Current income tax receivables	-	-
Other short-term receivables	1 828 874	1 828 874
Short-term financial assets available for sale	-	-
Short-term financial assets held for trade	-	-
Other short-term financial assets	-	-
Cash and cash equivalents	8 704 730	8 704 730
Short-term prepayments	880 470	880 470
Fixed assets classified as held for sale	-	-
Liabilities	**90 945 199**	**88 474 439**
Long-term liabilities	**3 070 694**	**599 934**
Long-term loans and credits	-	-
Other long-term financial liabilities	-	-
Other long-term liabilities	-	-
Deferred income tax provision	2 686 958	216 198
Provision for employee benefits	63 620	63 620
Other long-term provisions	320 115	320 115
Short-term liabilities	**87 874 505**	**87 874 505**
Short-term loans and credits	44 878 555	44 878 555
Other short-term financial liabilities	-	-
Trade liabilities	40 627 698	40 627 698
Current income tax liabilities	-	-
Other short-term liabilities	2 368 253	2 368 253
Short-term provisions	-	-
Liabilities due to fixed assets held for sale	-	-
Acquired net assets	**38 909 785**	**29 568 396**
Goodwill on acquisition	22 103 227	
Acquisition cost	**61 013 012**	

All amounts are expressed in Polish zloty (unless indicated otherwise)

Acquisition of organized parts of the enterprise (OPE) of Carment, M. Stodółka i Wspólnicy Spółka Jawna

On 16 August 2006, Eurocash S.A. and its subsidiary companies, i.e.: Eurocash Franszyza Sp. z o.o. („EC Franszyza") and Eurocash Detal Sp. z o.o. („EC Detal") concluded definitive agreements with Carment M. Stodółka i Wspólnicy Sp. Jawna, with its registered seat in Krosno (hereinafter referred to as „Carment") and its shareholders, resulting from the execution of preliminary agreements, the conclusion of which was announced by Eurocash in its current report no 16/2006 dated 29 April 2006. On the basis of the agreements:

- Eurocash S.A. acquired organized part of the enterprise of Carment dedicated to wholesale activities, which in particular included supplying of the retail stores chain of „Delikatesy Centrum" with FMCG goods,
- EC Franszyza acquired organized part of the enterprise of Carment including the franchise chain of retail „Delikatesy Centrum" stores,
- EC Detal acquired organized part of the enterprise including 30 own stores under the „Delikatesy Centrum" brand.

Information concerning combination of business units pursuant to IFRS 3 is presented below. The information presented below refer to the impact of the takeover of organized parts of the enterprise by Eurocash S.A., Eurocash Franszyza Sp. z o.o. and Eurocash Detal Sp. z o.o. on the consolidated financial statements. The acquisitions of the three above-mentioned parts of the enterprise of Carment for the purposes of these abbreviated consolidated financial statements were presented jointly.

6. General information concerning the acquisition of OPE of Carment

Table no 4

GENERAL INFORMATION CONCERNING BUSINESS COMBINATION OF THE UNITS

1. Name of acquired company	Organized parts of the enterprise (OPE) of Carment, M. Stodółka i Wspólnicy Spółka Jawna
2. Core business	ratail and wholesale distribution of food, other wholesale activity
3. Acquisition date	August, 16 2006
4. Acquired stake (%)	not applicable
5. Acquisition cost	**35 000 000 PLN**

7. A disposal of a part of business with regard to the OPE acquisition

The Eurocash Group has no intention to dispose any part of the business with regard to the acquisition of OPE Carment.

8. The costs of the acquisition

Table no 5

ACQUISTION COST

	as of 16.08.2006
Cash	**35 000 000 PLN**

All amounts are expressed in Polish zloty (unless indicated otherwise)

9. Amounts considered at the acquisition date for every category of assets, liabilities and contingent liabilities of OPE Carment

Table no 6

NET ASSETS ACQUIRED

	Fair value 16.08.2006
Fixed assets (long-term)	**40 736 292**
Intangible fixed assets	1 429 616
Goodwill	-
Tangible fixed assets	39 306 675
Investment real property	-
Investments in subsidiary companies	-
Long-term financial assets available for sale	-
Other long-term financial assets	-
Long-term receivables	-
Long-term prepayments	-
Deferred income tax assets	-
Other long-term prepayments	-
Current assets (short-term)	**45 962 362**
Inventories	15 862 732
Trade receivables	23 526 055
Current income tax receivables	-
Other short-term receivables	200 000
Short-term financial assets available for sale	-
Short-term financial assets held for trade	3 993 600
Other short-term financial assets	-
Cash and cash equivalents	2 379 976
Short-term prepayments	-
Fixed assets classified as held for sale	-
Liabilities	**59 849 519**
Long-term liabilities	**-**
Long-term loans and credits	-
Other long-term financial liabilities	-
Other long-term liabilities	-
Deferred income tax provision	-
Provision for employee benefits	-
Other long-term provisions	-
Short-term liabilities	**59 849 519**
Short-term loans and credits	22 735 501
Other short-term financial liabilities	-
Trade liabilities	37 114 018
Current income tax liabilities	-
Other short-term liabilities	-
Short-term provisions	-
Liabilities due to fixed assets held for sale	-
Acquired net assets	**26 849 135**
Goodwill on acquisition	8 150 865
Acquisition cost	**35 000 000**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Due to the fact that revealing the balance-sheet value of each of the above-mentioned categories of the assets, liabilities and contingent liabilities just before the merger is, for practical reasons, impossible, the Group withdrew from presentation of the above. The main reason for the withdrawing from the presentation is the specifics of the transaction of acquisition of organized parts of the enterprise, complicated legal structure of the transaction and the lack of the access to sufficiently detailed historical data concerning OPE before its acquisition.

10. Goodwill

The goodwill generated as a result of the acquisition of KDWT S.A. and OPE Carment reflects the following factors:

- Human Capital - Eurocash S.A. recognizes the great importance of human capital of KDWT S.A. and OPE Carment, which is not an item of intangible assets to be included in accordance with the International Financial Reporting Standards,
- Relation with KDWT clients (contracts with clients) – contracts with clients and connected with them relations can be identified as intangible assets, however due to impossibility of valuation to the fair value the relations are not recognized separate from the goodwill.

Table no 7

GOODWILL

	for period from 01.01.2006 to 31.12.2006
Book value at the beginning of the period	-
Gross value	-
Cumulated loss on impairment of assets	-
	-
Recognized additional goodwill	30 254 092
Latter regonizing of the deffered tax	-
Goodwill removed from balance sheet at sale	-
Recognized impaiment of assets	-
Net curency exchange differences	-
Other changes	-
Book value at the end of period	
Gross value	30 254 092
Cumulated loss on impairment of assets	-
	30 254 092

All amounts are expressed in Polish zloty (unless indicated otherwise)

11. Joining the companies at the 30 June of 2006

The joining of companies Eurocash and KDWT was presented in table no. 8.

Table no 8

JOING THE COMPANIES AT THE 31 DECEMBER OF 2006

Name of the subsidiary company	Date of acquisition	Acquired stake (%)	Acquisition cost	Fair value of net assets	Goodwill on acquisition	Profit
KDWT S.A.	2006-03-31	100%	61 013 012	38 909 785	22 103 227	-
Organized parts of the enterprise of Carment	2006-08-16	n/d	35 000 000	26 849 135	8 150 865	-

All amounts are expressed in Polish zloty (unless indicated otherwise)

12. Revenues and financial result of the consolidated business units

Table no 9

INVESTMENTS IN SUBSIDIARIES COMPANIES AS AT 31 DECEMBER 2006

The name of joined subsidiary	Net sales joined subsidiaries for the period*	Net result joined subsidiaries for the period*
KDWT S.A.	1 637 101 755	8 564 871
EUROCASH FRANSZYZA SP. Z O.O.	4 439 736	-2 776 037
EUROCASH DETAL SP. Z O.O.	1 391 309	-992 568
	1 642 932 801	**4 796 265**

* The calculation is based on assumption that the date of joing all subsidiares was the beginning of reporrting period

NOTE NO 2
SEGMENT REPORTING

Eurocash Group conducts its operations exclusively within the territory of Poland, which in terms of economic conditions and risks related to conducting operations may be considered as homogeneous. The above-mentioned determines the selection of the business sectors as the basic reporting scheme and the geographical segment as the supplementary one.

As a result of the analysis of the business activities conducted by the Eurocash Group, taking into consideration the regulations specified in IAS 14 Segment reporting, the Group made a decision to distinguish the following business segments of the capital Group:

- traditional wholesale – wholesale operations conducted by the Cash & Carry discount chain, including the entire operations of the dominant entity - Eurocash S.A.
- active distribution – wholesale operations in the area of specialist active distribution of the FMCG goods, including the entire operations of the subsidiary - KDWT S.A.

The Group does not distinguish any other geographical segments than Poland for the purposes of geographical segments.

The presented data below are shown segments profits and results concern only reporting period, because he comparable period from last year shows only one segment – cash & carry, which is represented by Euroacash. The Eurocash results was shown in separate financial statement.

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 10

INCOME AND RESULTS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2006 TO 31 DECEMBER 2006

	Traditional wholesale	Active distribution*	Other	Exclusions	Total
Sales	**1 978 448 439**	**1 364 559 877**	**8 453 674**	**(114 484 943)**	**3 236 977 047**
External sales	1 958 394 720	1 272 751 282	5 831 045		3 236 977 047
Inter-segmental sales	20 053 719	91 808 595	2 622 628	(114 484 943)	-
Segment result	**46 023 561**	**11 681 705**	**(1 233 985)**	**(1 254 013)**	**55 217 269**
Not allocated costs	-	-	-	-	-
Net loss on discontinued operations	-	-	-	-	-
Operating profit	**46 023 561**	**11 681 705**	**(1 233 985)**	**(1 254 013)**	**55 217 269**
Finance income	-	-	4 963 847	(294)	4 963 554
Finance costs	-	-	(6 633 234)	583 592	(6 049 642)
Share of profit on investments in associates	-	-	-	-	-
Profit before income tax	**-**	**-**	**(2 903 371)**	**(670 715)**	**54 131 181**
Income tax	-	-	(12 877 688)	318 899	(12 558 789)
Minority interest	-	-	-	-	
Net profit	**-**	**-**	**(15 781 058)**	**(351 816)**	**41 572 392**
Total assets	**593 271 319**	**165 588 920**	**16 890 564**	**(72 998 438)**	**702 752 365**
Total liabilities	**593 271 319**	**165 588 920**	**16 890 564**	**(72 998 438)**	**702 752 365**
	-	-			
Investment expenditures	**124 889 409**	**3 490 769**	**11 050 065**	**(22 635 352)**	**116 794 891**
Depreciation and amortisation	28 018 374	3 119 925	1 304 834	(387 498)	32 055 635

* - due to KDWT acquisition date, includes Q2 and Q3 results only

NOTE NO 3
RELATED PARTY TRANSACTIONS

During the second quarter of 2006 there were no significant related party transactions concluded, with the exception of transactions resulting from regular economic activity conducted on market conditions.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE NO 4.
INTANGIBLE FIXED ASSETS

Information about intangible fixed assets is presented in Table No. 11.

Table no 11

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	Goodwill	Patents and licences	Costs of R&D	Other intangible fixed assets	Advances	**Total**
Net carrying value as at 1 JANUARY 2005	**-**	**4 511 518**	**-**	**101 271 122**	**2 500 000**	**108 282 640**
Increase due to acquisition	-	124 865	-	1 343 741	9 840 000	**11 308 606**
Decrease due to sale	-	-	-	(47 682)	-	**(47 682)**
Increase or decrease due to revaluation	-	-	-	-	-	**-**
Advances	-	-	-	-	-	**-**
Impairment loss	-	-	-	-	-	**-**
Write-off reversal	-	-	-	-	-	**-**
Amortisation	-	(1 877 438)	-	(7 059 198)	-	**(8 936 637)**
Exchange gain/loss	-	-	-	-	-	**-**
Other changes	-	212 132	-	12 340 000	(12 340 000)	**212 132**
Net carrying value as at 31 DECEMBER 2005	**-**	**2 971 077**	**-**	**107 847 982**	**-**	**110 819 059**
Net carrying value as at 1 JANUARY 2006	**-**	**2 971 077**	**-**	**107 847 982**	**-**	**110 819 059**
Acquisition due to merger of enterprises	1 744 872	848 106		13 409 600		**16 002 578**
Increase due to acquisition	6 443 041	1 448 660	-	358 508	-	**8 250 209**
Decrease due to sale	-	-	-	(89 501)	-	**(89 501)**
Increase or decrease due to revaluation	-	-	-	-	-	**-**
Advances	-	-	-	-	-	**-**
Impairment loss	-	-	-	-	-	**-**
Write-off reversal	-	-	-	-	-	**-**
Amortisation	-	(2 109 938)	-	(6 127 551)	-	**(8 237 489)**
Exchange gain/loss	-	-	-	-	-	**-**
Other changes	25 635 786	349 823	-	(1 715 536)	-	**24 270 072**
Net carrying value as at 31 DECEMBER 2006	**33 823 699**	**3 507 728**	**-**	**113 683 501**	**-**	**151 014 927**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 11

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006 (continued)

	Goodwill	Patents and licences	Costs of R&D	Other intangible fixed assets	Advances	**Total**
As at 1 January 2006						
Gross carrying value	-	6 054 515	-	117 098 527	-	123 153 042
Total accumulated amortisation and write-offs	-	(3 083 438)	-	(9 250 545)	-	(12 333 982)
Net carrying value	**-**	**2 971 077**	**-**	**107 847 982**	**-**	**110 819 059**
As at 31 December 2006						
Gross carrying value	33 823 699	8 701 103	-	129 061 597	-	171 586 399
Total accumulated amortisation and write-offs	-	(5 193 375)	-	(15 378 096)	-	(20 571 471)
Net carrying value	**33 823 699**	**3 507 728**	**-**	**113 683 501**	**-**	**151 014 927**

The Group made no impairment loss on intangible fixed assets.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE NO 5.
TANGIBLE FIXED ASSETS

Information about tangible fixed assets is presented in Table No. 12.

Table no 12

TANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	Land, buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Constructions in progress	**Total**
Net carrying value as at 1 January 2005	**34 758 946**	**14 286 346**	**6 730 415**	**11 914 827**	**820 199**	**68 510 733**
Increase due to acquisition	3 787 687	3 100 634	1 542 340	6 127 355	8 277 924	**22 835 940**
Acquisition due to merger of enterprises	-	-	-	-	-	**-**
Increase due to lease	-	-	3 109 094	-	-	**3 109 094**
Decrease due to sale	(2 613 937)	(283 135)	(618 718)	(1 552 155)	-	**(5 067 944)**
Assets held fro sale	-	-	-	-	-	**-**
Increase or decrease due to revaluation	-	-	-	-	-	**-**
Impairment loss	-	-	-	-	-	**-**
Write-off reversal	-	-	-	-	-	**-**
Depreciation	(3 680 794)	(4 312 716)	(1 756 443)	(4 995 128)	-	**(14 745 081)**
Exchange gain/loss	-	-	-	-	-	**-**
Other changes	-	-	-	-	(6 909 863)	**(6 909 863)**
Net carrying value as at 31 December 2005	**32 251 902**	**12 791 129**	**9 006 689**	**11 494 898**	**2 188 260**	**67 732 878**
Net carrying value as at 1 January 2006	**32 251 902**	**12 791 129**	**9 006 689**	**11 494 898**	**2 188 260**	**67 732 878**
Acquisition due to merger of enterprises	6 681 823	3 140 752	6 243 058	2 027 097	-	**18 092 730**
Increase due to acquisition	22 532 094	4 938 764	4 640 425	3 446 244	21 708 195	**57 265 722**
Increase due to lease	12 343 223	939 320	1 069 753	-	-	**14 352 296**
Decrease due to sale	(3 785 600)	(503 783)	(382 456)	(52 881)	(60 000)	**(4 784 720)**
Decrease due to liquidation	(18 154 730)	(609 204)	(54 906)	(1 234 269)	-	**(20 053 108)**
Assets held for sale	-	-	-	-	-	**-**
Increase or decrease due to revaluation	-	-	-	-	-	**-**
Impairment loss	-	-	-	-	-	**-**
Write-off reversal	-	-	-	-	-	**-**
Depreciation	(3 748 915)	(5 623 560)	(3 786 117)	(6 777 883)	-	**(19 936 475)**
Exchange gain/loss	-	-	-	-	-	**-**
Other changes	16 179 286	1 927 465	137 964	464 719	(22 381 192)	**(3 671 758)**
Net carrying value as at 31 December 2006	**64 299 083**	**17 000 883**	**16 874 410**	**9 367 927**	**1 455 263**	**108 997 566**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 12

TANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006 (continued)

	Land, buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Constructions in progress	**Total**
As at 1 January 2006						
Gross carrying value	44 671 340	24 632 945	13 388 811	25 390 307	2 188 260	110 271 663
Total accumulated amortisation and write-offs	(12 419 438)	(11 841 816)	(4 382 122)	(13 895 408)	-	(42 538 784)
Net carrying value	**32 251 902**	**12 791 129**	**9 006 689**	**11 494 899**	**2 188 260**	**67 732 878**
As at 31 December 2006						
Gross carrying value	80 467 436	34 466 259	25 042 649	30 041 218	1 455 263	171 472 825
Total accumulated amortisation and write-offs	(16 168 353)	(17 465 376)	(8 168 239)	(20 673 291)	-	(62 475 259)
Net carrying value	**64 299 083**	**17 000 882**	**16 874 410**	**9 367 927**	**1 455 263**	**108 997 566**

The Group made no impairment loss on tangible fixed assets.

NOTE NO 6.
ANALYSIS OF RATIONALES INDICATING POSSIBILITY OF IMPAIREMENT OF VALUE OF ASSETS

Pursuant to IAS no 36, as at the balance-sheet date the Group evaluated whether there are any rationales indicating possible impairment of value of assets elements.

The following rationales were assessed:

- impairment of market value – during the reporting period there was no impairment of market value of assets that would be higher than a regular loss connected with timing and usufruct noted,
- assessment of the environment – within the examined period there were no significant or disadvantageous changes for the Group concerning technology, market, economic or legal environment where the entity functions and operates,
- market factors – within the examined period there was no increase in interest rates or other market return rates from investments that would influence the discount rate applied for calculation of the useable value of the examined assets and reducing their recoverable amount,
- accounting factors – balance-sheet value of the Group's net assets is lower than value of their market capitalization,
- usability factors – there are no grounds or evidence that the assets have been obsolete or damaged,
- functionality factors – during the period there were no, and it is very likely that in the near future there will be no significant or disadvantageous changes for the Group concerning the range or the way of using the assets or, as expected, will be used. The cessation of use of certain fixed assets, as well as any plans to cease or restructure operations which includes these elements was not noted or considered. No attempt was made either to dispose of the given assets before the previously foreseen time or to change the assessment of time of their usage,
- economic factors – there is no evidence that economic results achieved by the elements are or will be worse than expected in the future,
- investment factors – cash flows spent on the acquisition of the assets are not significantly higher than the amounts that were originally assumed in the budget,
- operational factors – actual net cash flows and operational profit connected with the assets is equal to the amount assumed in the budget,
- financial factors – after resuming the results of the examined period and the future results assumed in the budget, there were no net cash outflows that connected with certain assets.

NOTE NO 7.
INVESTMENT REAL ESTATE

The Group has investment real estate as at the balance-sheet date with 51.977PLN value.

NOTE NO 8.
INVESTMENTS IN SUBSIDIARY COMPANIES

Information about long-term receivables is presented in Table No. 13 and 14.

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 13

INVESTMENTS IN SUBSIDIARIES COMPANIES AS AT 31 DECEMBER 2006

Name of the subsidiary company	Registered office of the company	% of shares held	% of votes held	Consolidation method
KDWT S.A.	Wiśniowa 11, Komorniki	100%	100%	full
Eurocash Detal sp. z o.o.	Wiśniowa 11, Komorniki	100%	100%	excluded from obligation of consolidation
Eurocash Franszyza sp. z o.o.	Wiśniowa 11, Komorniki	100%	100%	excluded from obligation of consolidation

Table no 14

INVESTMENTS IN SUBSIDIARIES COMPANIES AS AT 31 DECEMBER 2006

Name of the subsidiary company	Equity	Share capital	Liabilities	Unit's assets	Net sales and financial operations	Profit
KDWT S.A.	45 915 438	7 380 000	119 673 483	165 588 920	1 364 559 877	7 005 652
Eurocash Detal sp. z o.o.	7 552 154	8 600 000	745 633	8 297 786	1 391 309	(1 047 847)
Eurocash Franszyza sp. z o.o.	3 570 100	3 800 000	5 022 678	8 592 778	7 062 365	(229 900)

In reporting period both Companies Eurocash Detal and Eurocash Franszyza did do any business. The activity become effective from the date of registration on 10 July 2006 year.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE NO 9.
PARTICIPATION IN JOINT VENTURES

The Group participated in no joint ventures.

NOTE NO 10.
FINANCIAL ASSETS

As at the balance sheet day the Group held no financial assets.

Since exposure of the Group to interest rate risk, exchange rate risk and price change risk is limited, no hedging instruments were applied.

NOTE NO 11.
LONG-TERM RECEIVABLES

Information about long-term receivables is presented in Table No. 15.

Table no 15

LONG-TERM RECEIVABLES AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
Security deposits paid due to agreements on depot rental	1 588 307	555 759
	1 588 307	**555 759**

NOTE NO 12.
INVENTORIES

Information about stocks is presented in Tables No. 16 and 17.

Table no 16

INVENTORIES STRUCTURE AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
Traded goods	205 218 852	113 581 580
Materials	199 060	146 259
Advances for deliveries	4 126 974	6 532 713
Total stocks, including:	**209 544 886**	**120 260 552**
- carrying value of stocks disclosed at fair value less costs of sale	-	-
- carrying value of stocks being a security for liabilities	20 200 000	20 200 000

Table no 17

INVENTORIES IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	for the period od 01.01.2006 do 31.12.2006	for the period od 01.01.2005 do 31.12.2005
Value of stocks recorded as a cost in the period	(2 930 782 226)	(1 456 655 458)
Revaluation write-offs on stocks recorded as a cost in the period	2 184 164	(18 515)
Revaluation write-off on stocks reversed in the period	-	2 685 748

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE NO 13.
CONSTRUCTION AGREEMENTS

The Group concluded no construction agreements.

NOTE NO 14.
TRADE RECEIVABLES AND OTHER RECEIVABLES

Information about trade receivables and other receivables is presented in Table No. 18.

Table no 18

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
Trade receivables	**159 864 272**	**36 889 803**
Credit sales	123 869 713	10 256 752
Additional revenues	40 514 458	26 144 302
ABC marketing fees	720 927	819 700
Other trade receivables	2 370 106	655 277
Allowance for trade bad debts	(7 610 931)	(986 228)
Other receivables	**23 138 412**	**2 706 467**
Receivables due to insurance	9 443 313	232 529
Settlement of VAT	278 654	169 437
Receivables due to employees	14 282	1 951 933
Deficiencies and surpluses	14 367 053	627 374
Other receivables	(964 891)	(274 806)
Total receivables, including:	**183 002 683**	**39 596 270**
- long-term	-	-
- short-term	183 002 683	39 596 270

NOTE NO 15.
SHORT-TERM PREPAYMENTS

Table no 19

SHORT-TERM PREPAYMENTS AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
Licences for selling alcohol	622 350	332 129
Rents	604 405	1 553 965
Advertising folders	398 833	15 614
Insurances	103 861	24 983
Bonuses for customers due to promotional actions	-	12 355
Other prepayments	595 010	493 715
	2 324 460	**2 432 762**

NOTE NO 16.
EQUITY

Information about equity is presented in Tables No. 20 and 21.

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 20

SHARE CAPITAL AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
Number of shares	127 742 000	127 742 000
Par value of a share (PLN / share)	1	1
Share capital	**127 742 000**	**127 742 000**

As at 31 December 2006 share capital was comprised of 127,742,000 “A” bearer shares of the par value of PLN 1.00 each.

Table no 21

CHANGES IN SHARE CAPITAL IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	for the period od 01.01.2006 do 31.12.2006	for the period od 01.01.2005 do 31.12.2005
Share capital at the beginning of the period	**127 742 000**	**127 742 000**
Increase of share capital in the period	**-**	**-**
Issued share capital - in-kind contribution	-	-
Decrease of share capital in the period	**-**	**-**
Share capital at the end of the period	**127 742 000**	**127 742 000**

NOTE NO 17.
OTHER CAPITAL

Information about other capital is presented in Table No. 22.

Table no 22

CHANGES TO OTHER CAPITAL IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	Supplementary capital	Total
As at 1 January 2005	**579**	**579**
Increase in the period from 1 January to 31 December 2005	**14 781 723**	**14 781 723**
Net profit for the period from 1 January to 31 December 2005	14 262 994	14 262 994
Issued options convertible into shares	518 729	518 729
Decrease in the period from 1 January to 31 December 2005	**-**	**-**
As at 31 December 2005	**14 782 302**	**14 782 302**
As at 1 January 2006	**14 782 302**	**14 782 302**
Increase in the period from 1 January to 31 December 2006	**14 276 901**	**14 276 901**
Net profit for the period from 1 January to 31 December 2006	12 127 429	12 127 429
Issued options convertible into shares	2 149 472	2 149 472
Decrease in the period from 1 January to 31 December 2006	**-**	**-**
As at 31 December 2006	**29 059 203**	**29 059 203**

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE NO 18.
OPTIONS FOR SHARES

Information about options for own shares is presented in Table No. 23.

Table no 23

OPTIONS FOR SHARES IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	Number of options	Weighted average performance prices (PLN/share)
Existing at the beginning of the reporting period	3 193 550	0,60
Allotted in the reporting period	4 561 185	1,66
Redeemed in the reporting period	-	0,00
Exercised in the reporting period	-	0,00
Expired in the reporting period	-	0,00
Existing at the end of the reporting period	7 754 735	1,39
Possible to exercise at the end of the period	-	-

1. Pursuant to Resolution No. 3 of the Extraordinary General Meeting of 14 September 2004 on issue of bonds with the priority right, conditional share capital increase and exclusion of the pre-emption right to new shares of the current shareholders, as amended by Resolution No. 2 of 2 November 2004 and Resolution No. 1 of 25 November 2004, it was decided to issue “B” and “C” shares under the Incentive Scheme designated for executive officers, managerial staff and key personnel of Eurocash S.A.

The Company will issue the total of 255,484 inscribed shares in two series:

- 127,742 “A” inscribed bonds of the par value of 1 grosz (PLN 0.01) each, with the right to subscribe “B” ordinary bearer shares with priority over shareholders of the Company;
- 127,742 “B” inscribed bonds of the par value of 1 grosz (PLN 0.01) each, with the right to subscribe “C” ordinary bearer shares with priority over shareholders of the Company.

The bonds will bear no interest.
The bond issue price will be equal to the par value.
One “A” bond gives priority to subscribe and take up 25 “B” shares.
One “B” bond gives priority to subscribe and take up 25 “C” shares.

The Company valued the incentive scheme for “A” bonds at PLN 1,921 million. The said value will be amortised for the period of 3 years, beginning from 1 January 2005.
Options for shares embedded in “B” bonds were valued at 1 January 2006 at 2.781 million, and will also be amortised for 3 years.

2. Pursuant to Resolution No. 17 of the Extraordinary General Meeting of 25 April 2006 on issue of the KDWT Incentive Scheme it was decided to issue “C” shares for specific executive officers of KDWT.

The Company will issue the total of 415,000 inscribed shares.
The bonds will bear no interest.
The bond issue price will be equal 1 polish grosz.
One “C” bond gives priority to subscribe and take up 2 “D” shares.

The Company valued the KDWT Incentive Scheme for “C” bonds at PLN 1,894 million. The said value will be amortised for the period of 3 years, beginning from 1 July 2006.

3. Pursuant to Resolution No. 18 of the Extraordinary General Meeting of 25 April 2006 on issue of the 3rd Incentive Scheme it was decided to issue "D" shares for executive officers, managerial staff and key personnel of Eurocash S.A. and KDWT.

The Company will issue the total of 63,871 inscribed shares.
The bonds will bear no interest.
The bond issue price will be equal 1 polish grosz.
One "D" bond gives priority to subscribe and take up 25 "E" shares.

4. On 28th April Eurocash undertook to grant the selected Shareholder of Carment the rights to take over, as a part of management options, shares of Eurocash of the total amount of PLN 3,500,000, after 36 months from the day of conclusion of the final agreements, at the average price of Eurocash shares from 30 days proceeding the day of conclusion of the final agreements.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE NO 19.
PROVISIONS

Information about provisions is presented in Tables No. 24 and 25.

Table no 24

CHANGES IN PROVISIONS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	Provision for unused paid leaves	Provision for bonuses	Provision for agency depot commissions	Provision for employee benefits	Provision for rents
Provisions as at 1 January 2005	**(1 912 469)**	**(3 000 000)**	**(228 335)**	**(356 753)**	**(387 486)**
Increase in provisions	-	-	(426 667)	-	(138 285)
Decrease in provisions	99 816	1 000 000	-	-	-
Provisions as at 31 December 2005	**(1 812 653)**	**(2 000 000)**	**(655 002)**	**(356 753)**	**(525 772)**
Provisions as at 1 January 2006	**(1 812 653)**	**(2 000 000)**	**(655 002)**	**(356 753)**	**(525 772)**
Increase due to joining of subsidary	(219 843)	-	-	(63 620)	-
Increase in provisions	(694 307)	-	(206 601)	(99 562)	-
Decrease in provisions	164 951	-	-	18 176	354 827
Provisions as at 31 December 2006, including:	**(2 561 852)**	**(2 000 000)**	**(861 603)**	**(501 759)**	**(170 944)**
- short-term	(2 561 852)	(2 000 000)	(861 603)	(31 696)	(170 944)
- long-term				(470 063)	

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 24

PROVISIONS IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006 (continued)

	Provision for costs of transport	Provision for media	Provision for postal and telecommunication costs	Other provisions	Total
Provisions as at 1 January 2005	**(212 000)**	**(257 879)**	**(258 557)**	**(3 971 780)**	**(10 585 258)**
Increase in provisions	(188 000)	(142 197)	-	(619 711)	**(1 514 860)**
Decrease in provisions	-	-	48 680	100	**1 148 596**
Provisions as at 31 December 2005	**(400 000)**	**(400 075)**	**(209 876)**	**(4 591 391)**	**(10 951 522)**
Provisions as at 1 January 2006	**(400 000)**	**(400 075)**	**(209 876)**	**(4 591 391)**	**(10 951 522)**
Increase due to joining of subsidary	-	-	-	(157 718)	**(441 181)**
Increase in provisions	-	-	-	(1 819 371)	**(2 819 841)**
Decrease in provisions	92 000	177 479	148 118	2 416 352	**3 371 903**
Provisions as at 30 June 2006, including:	**(308 000)**	**(222 597)**	**(61 758)**	**(4 152 128)**	**(10 840 641)**
- short-term	(308 000)	(222 597)	(61 758)	(4 152 128)	**(10 370 578)**
- long-term	**-**	**-**	**-**	**-**	**(470 063)**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 25

PROVISIONS AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
Provision for unused paid leaves	(2 561 852)	(1 812 653)
Provision for restructuring	(821 661)	(2 386 950)
Provision for bonuses	(2 000 000)	(2 000 000)
Provision for agency depot commissions	(861 603)	(655 002)
Provision for costs of transport	(308 000)	(400 000)
Provision for non-trading costs	(1 638 975)	(344 971)
Provision for severant payment	(501 759)	(356 753)
Provision for media	(222 597)	(400 075)
Provision for rents	(170 944)	(525 772)
Provision for postal and telecommunication costs	(61 758)	(209 876)
Provision for costs of monitoring and security	(20 718)	(181 160)
Provision for costs of advisory and audit services	(131 158)	(229 090)
Provision for costs of advertising	(139 619)	(425 000)
Other provisions	(1 399 996)	(1 024 220)
	(10 840 641)	**(10 951 522)**

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE NO 20.
TRADE LIABILITIES AND OTHER LIABILITIES

Information about trade liabilities and other liabilities is presented in Table No. 26.

Table no 26

TRADE LIABILITIES AND OTHER LIABILITIES AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
Trade liabilities	**371 191 217**	**236 854 087**
Supplies of traded goods	363 040 109	231 456 865
Services	8 151 108	5 397 222
Other liabilities	**40 060 727**	**18 386 714**
Financial lease	15 270 653	6 056 630
Settlement of VAT	629 347	2 083 926
Payroll	130 095	1 721 505
Social insurance	2 397 848	1 279 564
Fixed assets	4 471 627	940 478
Current corporate income tax	3 918 723	4 188 247
Tax, customs, insurances and other liabilities	808 800	578 711
Other liabilities	12 433 634	1 537 653
Total liabilities, including:	**411 251 944**	**255 240 801**
- long-term	12 734 894	4 313 378
- short-term	398 517 050	250 927 423

NOTE NO 21.
LOANS AND CREDITS

Information about loans or credits is presented in Table No. 27.

Table no 27

LOANS AND CREDITS AS AT 31 DECEMBER 2006

	Liability amount	Interest rate	Costs
Credits	**73 502 624**	**-**	**2 574 037**
Millenium	20 440 094	4,87%	642 689
BRE	53 062 530	4,69%	1 635 518
PeKaO	-	5,02%	295 830
Loans	**-**		**-**
Loan 1	-	0%	-
Total loans and credits	**73 502 624**		**2 574 037**

NOTE NO 22.
CONTINGENT LEASE PAYMENTS

In the period from 1 January 2006 to 31 December 2006 were no contingent lease payments.

NOTE NO 23.
OTHER FINANCIAL LIABILITIES

Information about other financial liabilities is presented in Table No. 28.

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 28

OTHER SHORT-TERM AND LONG-TERM FINANCIAL LIABILITIES AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
Liabilities under financial lease agreements	15 270 653	6 056 630
	15 270 653	**6 056 630**
- long-term	12 734 894	4 313 378
- short-term	2 535 759	1 743 252

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE NO 24.
LEASE

Specification of leased objects is presented in Table No. 29.

Table no 29

LEASED OBJECTS AS AT 31 DECEMBER 2006

	Per groups of assets				
	Land, buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Total
Leasing cars, agreement NIVETTE 21/2003	-	-	1 100 000	-	1 100 000
Leasing hardware, agreement HEWLETT PACKARD 04PL-0003A	-	4 269 954	-	-	4 269 954
Leasing cars, agreement WBK ZA2/00007/2005	-	-	67 188	-	67 188
Leasing cars, agreement WBK ZA2/00011/2005	-	-	152 870	-	152 870
Leasing cars, agreement WBK ZA2/00017/2005	-	-	50 957	-	50 957
Leasing cars, agreement WBK ZA2/00014/2005	-	-	152 870	-	152 870
Leasing cars, agreement WBK ZA2/00032/2005	-	-	167 869	-	167 869
Leasing cars, agreement WBK ZA2/00031/2005	-	-	101 913	-	101 913
Leasing cars, agreement WBK ZA2/00037/2005	-	-	129 500	-	129 500
Leasing cars, agreement WBK ZA2/00039/2005	-	-	73 295	-	73 295
Leasing cars, agreement WBK ZA2/00061/2005	-	-	147 492		147 492
Leasing cars, agreement WBK ZA2/00062/2005	-	-	125 410	-	125 410
Leasing forklifts, agreement Linde Material Handling Polska Sp. z.o. LTR+FSA 05/20852/JP	-	-	2 177 830	-	2 177 830
Leasing forlifts, agreement Linde Material Handling Polska Sp. z.o. LTR+FSA 05/20852/JP Aneks no 3	-	-	250 712	-	250 712
Leasing forklifts, agreement Linde Material Handling Polska Sp. z.o. LTR+FSA 06/21774/JP z dnia 4 sierpnia 2006	-	-	489 156	-	489 156
Leasing hardware, agreement HEWLETT PACKARD 04PL-0003A Aneks nr 1	-	939 320	-	-	939 320
Leasing cars, agreement ING CAR LEASE NR 2006/09/00528/OL	-	-	321 103	-	321 103
Leasing property Tęgoborze, agreement ING LEASE NR 705707/3/K/0	12 343 223	-	-	-	12 343 223
Fortis lorry car IVECO	-	-	-	-	-
	-	-	21 244	-	21 244
Net carrying value of leased objects	**12 343 223**	**5 209 274**	**5 529 408**	**-**	**23 081 905**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Detailed specification of lease agreements is presented in Table No. 30.

Table no 30

LEASE AGREEMENTS AS AT 31 DECEMBER 2006

No.	Financing party	Agreement No.	Initial value	Initial value (currency)	Currency	Agreement completion term	Value of liabilities as at 31 December 2006: Total	Short-term	Long-term
1	Nivette Fleet Management	21/2003	1 100 000	-	PLN	03.2007	80 719	80 719	-
2	Hewlett-Packard Polska Sp. z o.o.	04PL-0003A	4 269 954	-	PLN	03.2009	2 013 054	869 255	1 143 799
3	WBK Leasing S.A. Poznań	ZA/00007/2 005	67 188	-	PLN	04.2008	27 104	18 175	8 929
4	WBK Leasing S.A. Poznań	ZA/00011/2 005	152 870	-	PLN	04.2008	62 887	42 800	20 087
5	WBK Leasing S.A. Poznań	ZA/00017/2 005	50 957	-	PLN	06.2008	22 563	13 120	9 443
6	WBK Leasing S.A. Poznań	ZA/00014/2 005	152 870	-	PLN	05.2008	66 600	42 407	24 193
7	WBK Leasing S.A. Poznań	ZA/00032/2 005	167 869	-	PLN	06.2008	79 173	45 405	33 768
8	WBK Leasing S.A. Poznań	ZA/00031/2 005	101 913	-	PLN	06.2008	51 134	29 543	21 591
9	WBK Leasing S.A. Poznań	ZA2/00037/ 2005	129 500	-	PLN	07.2008	58 024	27 323	30 701
10	WBK Leasing S.A. Poznań	ZA2/00039/ 2005	73 295	-	PLN	08.2008	38 358	18 943	19 415
11	WBK Leasing S.A. Poznań	ZA2/00061/ 2005	147 492	-	PLN	12.2008	89 757	35 273	54 484

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 30

LEASING AGREEMENTS AS AT 31 DECEMBER 2006 (continued)

12	WBK Leasing S.A. Poznań	ZA2/00062/ 2005	125 410	-	PLN	12.2008	78 647	32 338	46 309
13	Linde Material Handling Polska Sp. z o.o.	LTR+FSA 05/20852/JP	2 177 830	-	PLN	11.2010	1 476 263	282 647	1 193 616
14	Linde Material Handling Polska Sp. z o.o.	LTR+FSA 05/20852/JP ANEKS nr 3	250 712	-	PLN	02.2011	254 666	81 406	173 260
15	Linde Material Handling Polska Sp. z o.o.	LTR+FSA 06/21774/JP z dnia 4 sierpnia 2006	489 156	-	PLN	02.2010	462 041	78 615	383 426
16	Hewlett-Packard Polska Sp. z o.o.	04PL-0003A Aneks nr 1	939 320	-	PLN	03.2009	836 042	413 112	422 930
17	ING CAR LEASE	umowa nr 2006/09/005 28/OL	321 103	-	PLN	10.2009	307 003	83 651	223 352
18	ING LEASE	umowa nr 705707/3/K/ 0	12 343 223	-	PLN	12.2016	9 253 129	327 540	8 925 589
19	FORTIS				PLN	06.2007	13 485	13 485	-
			23 060 662	**-**			**15 270 649**	**2 535 757**	**12 734 892**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 31

LIABILITIES UNDER FINANCIAL LEASE AGREEMENTS AS AT 31 DECEMBER 2006

	as at 31.12.2006 minimum fees	as at 31.12.2006 current value of minimum fees	as at 31.12.2005 minimum fees	as at 31.12.2005 current value of minimum fees
Future minimum fees due to financial lease agreements				
Payable within 1 year	3 508 321	2 669 792	2 155 837	1 751 588
Payable in the period from 1 year to 5 years	9 265 166,33	2 651 931	3 120 326	2 691 952
Payable in the period of over 5 years	4 275 938	2 738 673	-	-
Total future minimum fees due to financial lease agreements	**17 049 425**	**8 060 397**	**5 276 163**	**4 443 540**
Financial costs	4 656 136	X	832 623	X
Current value of minimum fees under financial lease agreements	**12 393 289**	**8 060 397**	**4 443 540**	**4 443 540**

All amounts are expressed in Polish zloty (unless indicated otherwise)

OPERATING LEASE

Pursuant to IAS no 17 the Group recognized operating lease agreements for tenancy and lease of premises, on the basis of which, in return for a fee or a series of fees, the lessor transfers to the lessee the right to use a particular item of assets for an agreed period of time without transfer of risks and benefits resulting from being an owner of the particular asset.

The indicated agreements concern lease and tenancy of space in order to conduct commercial activities in there, with regard to the sale of goods, tobacco products, alcoholic beverages, domestic detergents and industrial goods. Moreover, one of the agreements concerns the usage of the warehouse space for logistics and transportation purposes and the office space for administration needs of employees of the headquarters.

In the case of the agreements concerning trading premises, the price was established per one square meter. Valorization of the prices in conducted on the basis of an annual level of inflation announced by the Main Statistical Office, the changes of the real estate taxes, the changes of the fees for perpetual usufruct and the changes of local fees concerning the leased or tenanted real estate. The payment is the product of the square meters of the area and the price per square meter.

In the event of the tenancy of the warehouse and office space, regarding the distribution center in Komorniki, there were two fixed monthly rental fees established. The first one applies to the period of the first eight years and the following one to the period of the following eight years.

The terms and conditions concerning the period of the agreements being in force and their terminations provide that in the event that within the period of 12 months before the expiry of a particular agreement one of the parties does not notify the other of his decision not to prolong the agreement, the agreement shall be prolonged for a period analogical to the period of the main agreement.

The specificity of the minimal fees for the operation lease is presented in table no 32.

Table no 32

LIABILITIES UNDER OPERATING LEASE AGREEMENTS AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
LIABILITIES UNDER OPERATING LEASE		
Payable within 1 year	14 021 189	17 131 053
Payable in the period from 1 year to 5 years	54 546 544	59 620 237
Payable in the period of over 5 years	17 407 610	25 445 659
Total future minimum fees due to operating lease agreements	**85 975 342**	**102 196 948**

NOTE NO 25.
INCOME TAX

Specification of income tax for the reporting period is presented in Table No. 33 and 34.

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 33

INCOME TAX FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006 (main components)

	for the period od 01.01.2006 do 31.12.2006	for the period od 01.01.2005 do 31.12.2005
Profit and loss account		
Current income tax	**(10 250 248)**	**(5 977 275)**
Current income tax burden	(10 250 248)	(5 977 275)
Adjustment of prior years on current income tax	-	-
Deferred income tax	**(2 308 520)**	**(3 139 768)**
Due to creation and reversal of temporary differences	(2 308 520)	(3 139 768)
Due to income tax rate reduction	-	-
Tax burden recorded in profit and loss account	**(12 558 768)**	**(9 117 043)**
Statement on changes in equity		
Current income tax	-	-
Current income tax due to exchange gains/losses on a loan	-	-
	-	-
Deferred income tax	-	-
Net loss due to revaluation of security for cash flows	-	-
Unrealised gains due to financial assets available for sale	-	-
Net deferred income tax recognised in capital reserve at first application of	-	-
Net deferred income tax on security for cash flows settled during the	-	-
Net deferred income tax on financial assets available for sale sold during	-	-
Financial benefit recognised in equity	-	-

Table no 34

ESTABLISH INCOME TAX BURDEN FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	for the period od 01.01.2006 do 31.12.2006	for the period od 01.01.2005 do 31.12.2005
Gross profit	**54 131 181**	**41 683 192**
Tax calculated on tax base 19%	(10 284 924)	(8 691 364)
Tax influence from permanent differences between gross profit and tax base	(2 165 757)	(92 174)
Negative passing differences and tax losses, in connection which the deferred income tax provision was no recognized	210 791	(1 416 647)
Capital group unit's tax losses and consolidation corrections	(318 899)	-
Others		1 083 142
Tax burden shown in profit and losses	**(12 558 789)**	**(9 117 043)**
Effective tax rate	-23,20%	-21,87%

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE NO 26.
DEFERRED INCOME TAX

Deferred income tax is presented in Table No. 35.

Table no 35

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	Balance sheet		Profit and loss account			
	as at 31.12.2006	as at 31.12.2005	for the period od 01.01.2006 do 31.12.2006	for the period od 01.01.2005 do 31.12.2005		
Deferred income tax provision						
- trade mark	2 470 760	-	-	-	-	2 470 760
- difference between tax and accounting depreciation and amortization	5 200 573	1 152 694	4 047 879	(145 866)	-	-
- future revenues	1 210 258	1 359 089	(148 830)	(214 152)	-	-
- fixed assets from lease	188 569		188 569		216 198	
- unrealized exchange rates	(28 140)	25 559	(53 699)	25 559	-	-
	-	1 377 144	(1 377 144)	1 377 144	-	-
	-	345 155	(345 155)	345 155	-	-
	-	-	-	(77 247)	-	-
	-	-	-	(35 783)	-	-
Gross deferred income tax provision	**9 042 020**	**4 259 640**	**2 311 620**	**1 274 810**	**216 198**	**2 470 760**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 35

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006 (continued)

	Balance sheet		Profit and loss account			
	as at 31.12.2006	as at 31.12.2005	for the period od 01.01.2006 do 31.12.2006	for the period od 01.01.2005 do 31.12.2005		
Deferred income tax provision						
- deferment of rebates	1 836 642	1 287 395	(442 819)	(30 382)	106 428	-
- revaluation write-off on inventories	783 617	789 270	82 363	(17 521)	76 711	-
- allowance for bad debts	987 445	237 536	(749 909)	(95 868)	-	-
- provision for paid leaves	486 752	344 404	(142 348)	18 965	-	-
- provision for bonuses	380 000	380 000	-	190 000	-	-
- provision for agency depot commissions	163 705	124 450	(39 254)	(81 067)	-	-
- unpaid payable payroll	207 879	566 077	358 198	(566 077)	-	-
- provision for costs of transport	58 520	76 000	17 480	(35 720)	-	-
- provision for costs of media	42 293	76 014	60 197	(27 017)	26 476	-
	24 745	-	(24 745)	-	-	-
- provision for postal and telecommunication costs	11 734	39 876	348 085	9 249	319 942	-
- interests concern lease	9 740	-	(9 740)	-	-	-
- lease liabilities	(475 415)	-	475 415	-	-	-
- other provisions	1 049 229	1 442 071	392 843	(343 538)	-	-
	-	-	-	-	-	-
	-	-	-	-	-	
- income recognize	-	-	-	-	-	
- valuation of executive options	-	-	-	(60 839)	-	
- consolidated excluding concern activated margin on inventories	(17 035)	-	17 035	-	-	-
- deferred income tax assets	**5 549 851**	**5 363 095**	**342 801**	**(1 039 814)**	**529 557**	**-**
Deferred income tax burden			**2 654 421**	**234 996**		
Net deferred income tax provision	**3 492 169**	**-**	**X**	**X**		
Net deferred income tax assets	**-**	**1 103 455**	**X**	**X**		

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE NO 27.
OTHER LONG-TERM PREPAYMENTS

Other long-term prepayments are presented in Table No. 36.

Table no 36

OTHER LONG-TERM PREPAYMENTS AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
Rents	-	378 495
Other prepayments	348 521	17 762
	348 521	**396 256**

NOTE NO 28.
NET SALES IN THE REPORTING PERIOD

Net sales are presented in Table No. 37.

Table no 37

NET SALES IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	for the period od 01.01.2006 do 31.12.2006	for the period od 01.01.2005 do 31.12.2005
Sales of traded goods	3 167 298 403	1 640 908 755
Provision of services	69 678 644	46 228 261
Total net sales	**3 236 977 047**	**1 687 137 016**

NOTE NO 29.
COSTS BY NATURE

Costs by nature are presented in Table No. 38.

Table no 38

COSTS BY NATURE IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	for the period od 01.01.2006 do 31.12.2006	for the period od 01.01.2005 do 31.12.2005
Amortisation	23 657 523	25 544 446
Materials and power	15 498 586	10 812 719
Third party services	99 635 421	71 235 099
Fees and taxes	4 630 220	2 441 498
Payroll	72 215 632	49 931 389
Social insurance and other benefits	14 818 753	10 241 350
Other costs by nature	15 882 195	9 090 232
Costs by nature	**246 338 329**	**179 296 733**
including:		
Costs of sales	(169 313 656)	(124 402 701)
Costs of general management	(77 024 673)	(54 894 032)

NOTE NO 30.
OTHER OPERATING REVENUES AND COSTS

All amounts are expressed in Polish zloty (unless indicated otherwise)

Other operating revenues and costs are presented in Table No. 39.

Table no 39

OTHER OPERATING REVENUES AND COSTS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	for the period od 01.01.2006 do 31.12.2006	for the period od 01.01.2005 do 31.12.2005
Other operating revenues	**8 177 086**	**4 707 550**
Other sales	1 909 732	1 264 413
Sub-lease of premises	883 922	704 061
Compensation received	1 176 110	236 930
Other operating revenues	4 207 322	2 502 147
Other operating costs	**(12 816 309)**	**(11 240 638)**
Inventory shortages	(3 864 007)	(3 573 152)
Reserve for receivables	(2 772 600)	(169 164)
Reserve for inventories	(2 406 793)	(620 398)
Liquidation of damaged and expired goods	(2 182 939)	(2 237 105)
Compensation paid	(314 377)	(74 592)
Other operating costs	(1 275 593)	(4 566 227)
Net other operating revenues (costs)	**(4 639 223)**	**(6 533 087)**

NOTE NO 31.
FINANCIAL REVENUES AND COSTS

Financial revenues and costs are presented in Table No. 40.

Table no 40

FINANCIAL REVENUES AND COSTS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	for the period od 01.01.2006 do 31.12.2006	for the period od 01.01.2005 do 31.12.2005
Financial revenues	**4 963 554**	**2 522 607**
Gains on shares sale	1 343 400	-
Interest	1 423 459	2 027 451
Exchange gains	(149 268)	233 532
Other financial revenues	2 345 962	261 624
Financial costs	**(6 049 642)**	**(5 491 153)**
Interest	(2 854 616)	(4 153 169)
Bank fees	(2 532 846)	(867 729)
Exchange losses	(175 506)	(77 845)
Other financial costs	(486 673)	(392 409)
Net financial revenues (costs)	**(1 086 088)**	**(2 968 546)**

All amounts are expressed in Polish zloty (unless indicated otherwise)

(Net) exchange gains (losses) are presented in Table No. 41.

Table no 41

NET EXCHANGE GAINS/LOSSES IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	for the period od 01.01.2006 do 31.12.2006	for the period od 01.01.2005 do 31.12.2005
Net sales	-	-
Costs of sold products, traded goods and materials	-	-
Costs of sale	-	-
Costs of general management	-	-
Financial revenues	(149 268)	233 532
Financial costs	(175 506)	(77 845)
Total	**(324 774)**	**155 686**

NOTE NO 32.
RESULT ON DISCONTINUED OPERATIONS

In the period from 1 January 2006 to 31 December 2006 the Group discontinued no operation under its business activity and plans no such discontinuance in the next financial year.

NOTE NO 33.
EARNINGS PER SHARE

Information about earnings per share is presented in Table No. 42.

All amounts are expressed in Polish zloty (unless indicated otherwise)

Table no 42

EARNINGS PER SHARE FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	for the period od 01.01.2006 do 31.12.2006	for the period od 01.01.2005 do 31.12.2005
Earnings		
Net earnings of a given year for the purpose of calculating earnings per share for distribution among shareholders	41 572 392	32 566 149
Effect of dilution of ordinary shares:	-	-
Interest on bonds convertible into shares (after tax)	-	-
		-
Earnings disclosed for the needs of calculating diluted earnings per share	41 572 392	32 566 149
Number of issued shares		
Weighted average number of shares disclosed for the needs of calculating diluted earnings per share	127 742 000	127 742 000
Effect of dilution of a potential number of ordinary shares:		
Share options	-	-
Bonds convertible into shares	6 873 730	6 387 100
Weighted average number of ordinary shares (for the needs of calculating diluted earnings per share)	134 615 730	134 129 100
Continued operations		
Net earnings of a given year to be distributed among shareholders	41 572 392	32 566 149
Exclusion of loss on discontinued operations	-	-
Net earnings on continued operations, upon excluding the result on discontinued operations	41 572 392	32 566 149
Effect of dilution of the number of ordinary shares:		
Interest on bonds convertible into shares (after tax)	-	-
Earnings on continued operations disclosed for the needs of calculating diluted earnings per share, upon excluding the result on discontinued operations	**41 572 392**	**32 566 149**

Calculation of weighted average number of shares

Year 2006

(127,742,000 X 365 days) / 365 days = 127,742,000

Year 2005

(127,742,000 X 365 days) / 365 days = 127,742,000

Calculation of weighted average diluted number of shares

Year 2006

(134,129,100 X 151 / 365 days) + (134,959,100 X 214)/ 365 days)= 134,615,730

Year 2005

(134.129.100 X 365 / 365 days) = 134,129,100.

Description of share diluting factors

Pursuant to Resolution No. 3 of the Extraordinary General Meeting of 14 September 2004 on issue of bonds with the priority right, conditional share capital increase and exclusion of the pre-emption right to new shares of the current shareholders, as amended by Resolution No. 2 of 2 November 2004 and Resolution No. 1 of 25 November 2004, it was decided to issue “B” and “C” shares under the Incentive Scheme designated for executive officers, managerial staff and key personnel of Eurocash S.A.

All amounts are expressed in Polish zloty (unless indicated otherwise)

Pursuant to Resolution No. 17 of the Extraordinary General Meeting of 25 April 2006 on issue of the KDWT Incentive Scheme it was decided to issue "C" shares for specific executive officers of KDWT.

On 28th April Eurocash undertook to issue Carment Incentive Scheme with issue "D" shares for specific executive officers of Carment.

NOTE NO 34.
BOOK VALUE PER SHARE

Book value per share was calculated as a quotient of the book value and the number of shares as at the end of the reporting period.

Table no 43

BOOK VALUE PER SHARE AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
Book value	199 032 578	175 749 434
Number of shares	127 742 000	127 742 000
Diluted number of shares	134 615 730	134 129 100
Book value per share	1,56	1,38
Diluted book value per share	1,48	1,31

NOTE NO 35.
MERGER OF ENTERPRISES

At 31st March 2006 Eurocash purchased 100% shares of KDWT, at the same time take over control above this company. From this moment the Company is capable of manage financial and operation politics of KDWT in order to achieve benefits.

On 16th August 2006, Eurocash S.A. and its subsidiaries, i.e.: Eurocash Franszyza Sp. z o.o. („EC Franszyza") and Eurocash Detal Sp. z o.o. („EC Detal") concluded final agreements with Carment M. Stodółka i Wspólnicy Sp. Jawna, with its registered seat in Krosno (hereinafter referred to as „Carment") and the partners of the company, to execute the preliminary agreements, the conclusion of which was announced by Eurocash in the current report no. 16/2006 dated 29th April 2006. On the basis of these agreements:

- Eurocash acquired an organized part of the enterprise of Carment intended to conduct wholesale operations, which in particular includes supplying the retail „Delikatesy Centrum" stores chain with FMCG goods,
- EC Franszyza acquired an organized part of the enterprise of Carment including franchise chain of „Delikatesy Centrum" retail stores,
- EC Detal acquired an organized part of the enterprise including 30 own Carment shops of the „Delikatesy Centrum" brand.

NOTE NO 36.
INFORMATION ABOUT RELATED COMPANIES

In all year 2006 no significant transactions with related undertakings were concluded, except for transactions resulting from the ordinary economic activity on the market conditions.

All amounts are expressed in Polish zloty (unless indicated otherwise)

The below table presents information about the total value of salaries, bonuses, awards and other benefits paid or due to members of the Management Board and the Supervisory Board in the period from 1 January 2006 to 31 December 2006.

Table no 44

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF DOMINANT UNIT IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	Basic salary	Other benefits	Total
Remuneration of Management Board members			
Luis Amaral	300 000	694 185	994 185
Rui Amaral	540 000	209 691	749 691
Katarzyna Kopaczewska	360 000	119 691	479 691
Arnaldo Guerreiro	480 000	215 420	695 420
Pedro Martinho	480 000	9 067	489 067
Ryszard Majer	300 000	107 420	407 420
Roman Piątkiewicz	60 000	-	60 000
	2 520 000	**1 355 474**	**3 875 474**
Remuneration of Supervisory Board memebrs			
Joao Borges de Assuncao	51 309		51 309
Eduardo Aguinaga de Moraes	24 453		24 453
Ryszard Wojnowski	24 453		24 453
Janusz Lisowski	24 453		24 453
Geoffrey Francis Eric Crossley	8 575		8 575
Antonio Jose Santos Silva Casanova	15 878		15 878
	149 121	**-**	**149 121**

Table no 44

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF SUBSIDIARY IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006 (continued)

	Basic salary	Other benefits	Total
Remuneration of Management Board members			
Roman Piątkiewicz	396 503	11 724	408 226
Mieczysław Kuśnierczak	390 000	10 613	400 613
Arnaldo Guerreiro	76 190	-	76 190
	862 693	**22 336**	**885 029**
Remuneration of Supervisory Board memebrs			
Małgorzata Piątkiewicz	47 811	4 819	52 631
Wojciech Budziński	23 753	1 342	25 095
	71 564	**50 834**	**77 726**

NOTE NO 37.
INFORMATION ABOUT THE HEADCOUNT

Information about the headcount as at 31 December 2006 is presented in Table No. 45.

Table no 45

HEADCOUNT AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
Number of employees	2 616	2 019
Number of full-time jobs	2 538	1 917

All amounts are expressed in Polish zloty (unless indicated otherwise)

Information about the structure of employment as at 31 December 2006 is presented in Table No. 46.

Table no 46

STRUCTURE OF EMPLOYMENT AS AT 31 DECEMBER 2006

	Depots and distribution centres	Head office	Total
Number of employees	2 406	210	**2 616**
Number of full-time jobs	2 330	208	**2 538**

Information about rotation of personnel as at 31 December 2006 is presented in Table No. 47.

Table no 47

ROTATION OF PERSONNEL IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	for the period od 01.01.2006 do 31.12.2006	for the period od 01.01.2005 do 31.12.2005
Number of employees hired	1 264	688
Number of employees dismissed	(667)	(532)
	597	**156**

NOTE NO 38.
OFF-BALANCE SHEET ITEMS

As at 31 December 2006 the value of contingent liabilities due to granted bank guarantees amounted to PLN 6,929,162. Detailed specification is presented in Table No. 48.

Table no 48

CONTINGENT LIABILITIES DUE TO GRANTED BANK GUARANTEES AS AT 31 DECEMBER 2006

No.	Guarantee for	Title	Currency	as at 31.12.2006	as at 31.12.2005
1	TULIPAN	payables concern distribution center	EUR*	3 639 640	3 666 810
2	Hewlett Packard	payables concern computer hardware	PLN	2 344 205	3 386 073
3	ELTA	payables concern Suwałki store	PLN	74 264	371 322
4	Ministerstwo Finansów	guarantee for "Pewnik" lottery	PLN	-	180 000
				6 058 109	**7 604 205**

* converted at a rate of NBP as at 31 December 2006 = 3,8312

NOTE NO 39.
ESSENTIAL POST-BALANCE SHEET EVENTS

There were any balance sheet events.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE NO 40.
POST BALANCE-SHEET EVENTS

Eurocash Management Board informs that in connection with established expansion strategy of Eurocash and internal consolidated process of Eurocash Group subsidiaries the Management Board made a decision about merger Company with KDWT S.A. subsidiary (100% of shares held by Eurocash) with registered office in Komorniki with core business concern whole distribution of tobacco products and impulse products. Acting pursuant to article 492 § 1 point 1 of the Commercial Companies Code the merger will take place over transfer all KDWT property on Eurocash (joining by taking over), without increasing share capital of Eurocash according to article 515 § 1 of the Commercial Companies Code.
The merger of Eurocash with KDWT determines realization of expansion strategy of Eurocash and is done on accelerate of expansion and fullness using potential of both Companies. Besides the merger permit to simplify organization structure and cost savings.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President	Luis Amaral	25 April 2007	
Management Board Member Chief Executive Officer	Rui Amaral	25 April 2007	
Management Board Member Financial Executive Officer	Arnaldo Guerreiro	25 April 2007	
Management Board Member Sales Director	Pedro Martinho	25 April 2007	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	25 April 2007	
Management Board Member IT Director	Ryszard Majer	25 April 2007	
Management Board Member	Roman Piątkiewicz	25 April 2007	

EUROCASH GROUP

REPORT OF THE MANAGEMENT BOARD
FOR THE PERIOD FROM 1st JANUARY 2005 TO 31st DECEMBER 2006

TRANSLATORS' EXPLANATORY NOTE
The following document is a free translation of the report of the above-mentioned Polish Company.
In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

KOMORNIKI, 25th April 2007

CONTENTS

1 Management discussion of the financial results of the Eurocash Group for 2006

1.1 Eurocash Group: Key financial and operational highlights in 2006

Eurocash Group operations consisted in 2006 of:

- Sales of Fast Moving Consumer Goods (FMCG) through Eurocash Discount Cash&Carry stores – within Eurocash S.A.
- Sales of FMCG through distribution centers dedicated to supply of “Delikatesy Centrum” franchise stores (further referred to as Delikatesy Centrum Distribution Centers) – realized starting from 16 August 2006 – within Eurocash S.A.
- Sales of tobacco and impulse products by KDWT S.A. (“KDWT”) - active distribution.
- Other – franchise services to the Delikatesy Centrum franchise stores (Eurocash Franszyza Sp. z o.o.) and real estate services (Eurocash Detal Sp. z o.o.)

Table 1 Summary of consolidated financial results for 2006

PLN million	2006	2005	change 2006 / 2005
Sales revenues	3 236,98	1 687,14	91,86%
Gross profit/(loss) on sales	306,19	230,48	32,85%
(Gross profitability on sales %)	9,46%	13,66%	-4,20%
EBITDA	87,27	70,21	24,31%
(EBITDA margin%)	2,70%	4,16%	-1,47%
EBIT	55,22	44,65	23,66%
(EBIT margin%)	1,71%	2,65%	-0,94%
Gross profit	54,13	41,68	29,86%
Net income	41,57	32,57	27,66%
Net profitability %	1,28%	1,93%	-0,65%

Consolidated sales of Eurocash Group in 2006 amounted to PLN 3 236,98m and grew by 91.86% comparing with 2005. Because of acquisition of KDWT S.A. and Delikatesy Centrum franchise chain the consolidated figures for 2006 are not directly comparable with data for 2005. Gross margin on sales amounted to 9.46%. The blended profitability ratios of Eurocash Group are lower than the stand-alone Eurocash S.A. ratios due to lower profitability of tobacco sales realized by KDWT. The level of margins realized by KDWT is typical for tobacco distribution business.

Below we present the key financial and operational highlights separately for Eurocash Discount Cash&Carry, Delikatesy Centrum Distribution Centers and KDWT active distribution:

Eurocash Discount Cash&Carry stores:

- In 2006 sales of Eurocash Discount Cash&Carry stores amounted to PLN 1 842.7m and increased by 9.22% comparing with 2005.
- LFL sales growth (same number of stores) in Eurocash Discount Cash&Carry stores amounted to 5.9% in 2006.
- Number of abc stores reached 2,416 at the end of 2006.
- In 2006 share of abc stores in total sales of Discount Cash & Carry stores amounted to 43.6% comparing with 39.9% in 2005.
- Sales to abc shops in 2006 increased by 19.4% comparing with 2006.

Delikatesy Centrum Distribution Centers:

- Sales of Delikatesy Centrum Distribution Centers in period from 16 August 2006 to 31. December 2006 amounted to PLN 135.8m.
- Number of “Delikatesy Centrum” franchise stores at the end of 2006 amounted to 235 (growth by 42 comparing with the end of 2005).

KDWT - Active Distribution:

- Sales excluding intragroup transactions since the beginning of 2Q 2006 amounted to PLN 1 364,56 m
- Assuming acquisition of KDWT as of beginning of 2006, sales of KDWT in 2006 amounted to PLN 1 637.10 m
- Number of KDWT branches as of the end of 2006 amounted to 61 plus 3 distribution centers

1.2 Profit and loss account

Table 2 Group sales analysis for 2006

PLN million	2006	2005	change 2006 / 2005
Sales revenues of Eurocash Group including	3 236,98	1 687,14	91,86%
Sales in Discount Cash & Carry stores	1 842,69	1 687,14	9,22%
Sales of "Delikatesy Centrum" Distribution Centers	*135,76*	n/a	
KDWT sales	1 364,56	n/a	
Sales of other companies	8,45	n/a	
Consolidation adjustment	(114,48)	n/a	
Number of operating Discount Cash&Carry stores (eop)	96	94	2
Number of „Delikatesy Centrum" franchise stores (eop)	235	193	42
Number of KDWT branches (eop)	64	39	25

Table 3 Eurocash Group: costs analysis for 2006

PLN million	2006	2005	change 2006 / 2005
Gross profit/(loss) on sales *(Gross profitability on sales %)*	306,19 9,46%	230,48 13,66%	32,85% -4,20%
Costs of sales *(as % of sales)*	(169,31) 5,23%	(124,40) 7,37%	36,10% -2,14%
Costs of general management	(77,02)	(54,89)	40,32%
(as % of sales)	2,38%	3,25%	-0,87%
Profit/loss on sales	59,86	51,18	16,94%
(as % of sales)	1,85%	3,03%	-1,18%
Other operating income	8,18	4,71	73,70%
Other operating costs	(12,82)	(11,24)	14,02%
Operating profit – EBIT	55,22	44,65	23,66%
(EBIT margin %)	1,71%	2,65%	-0,94%
Depreciation	32,06	25,55	25,44%
EBITDA	87,27	70,21	24,31%
(EBITDA margin %)	2,70%	4,16%	-1,47%

The blended profitability ratios of Eurocash Group are lower than the stand-alone Eurocash S.A. ratios due to lower profitability of tobacco sales realized by KDWT. The level of margins realized by KDWT is typical for tobacco distribution business.

It should be noted, that the 2006 Eurocash Group results do not include the KDWT results for 1Q 2006 and results of Delikatesy Centrum business prior to the acquisition date 16th August 2006.

Also in 2006 results have been significantly influenced by costs of the stock-option programs for Eurocash Group employees and programs related to acquisition of KDWT and Delikatesy Centrum. The total cost of the stock-option programs accounted in 2006 amounted to PLN 2.15 million comparing with PLN 0.64 million in 2005.

1.3 Cash flow

Table 4 Eurocash Group: Cash flow for 2006

PLN million	**2006**	**2005**
Operating cash flow	34,99	91,17
Gross profit (loss)	54,13	41,68
Depreciation	32,06	25,55
Change in working capital	(40,32)	26,89
Other	(10,87)	(0,93)
Cash flow from investments	(68,49)	(24,32)
Cash flow from financing activities	(24,30)	(1,73)
Total cash flow	(57,80)	65,13

Total consolidated cash flow in 2006 amounted to negative PLN 57.80 million. Main reason for this number was high amount of investments 68.49 (mainly settlement of acquisitions of KDWT and Delikatesy Centrum), as well as dividend payment (PLN 20.44m)

1.4 Working capital ratios

Table 5 Eurocash Group: Working capital ratios flow for 2006

Turnover in days	**2006**	**2005**
1. Inventories turnover	23,6	26,0
2. Trade receivables turnover	18,1	8,0
3. Trade liabilities turnover	46,2	59,3
4. Operating cycle (1+2)	41,7	34,0
5. Cash conversion (4-3)	(4,5)	(25,4)

The negative working capital was still maintained after consolidation of KDWT. The negative cash conversion cycle enables Eurocash Group to release cash in line with growing sales.

Ratios definitions

Gross profit margin on sales – ratio of gross sales profit to net sales revenue.

EBITDA margin – ratio of EBITDA (operating profit plus amortization) to net sales revenue.

Operating profit margin (EBIT) – ratio of operating profit to net sales revenue

Net profit margin on sales – ratio of net profit to net sales revenue.

Stocks turnover – the ratio of balance of stocks at the end of period to net sales for period, multiplied by the number of days in the period.

Trade receivables turnover – the ratio of balance of trade receivables at the end of period to net sales for period, multiplied be the number of days in the period.

Trade liabilities turnover – the ratio of balance of trade liabilities at end of period to costs of sold traded goods for period, multiplied by the number of days in the period

Operating cycle – the sum of stocks turnover and receivables turnover.

Cash conversion cycle – the difference between operating cycle and liabilities turnover.

1.5 Structure of the assets and equity & liabilities

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 6 Eurocash Group: Structure of assets

PLN million	31.12.20065	%	31.12.2005	%
Fixed assets (long-term)	**262,00**	**37,53%**	**180,61**	**40,87%**
Goodwill	33,82	4,84%	-	-
Intangible fixed assets	117,19	16,63%	110,80	24,74%
Tangible fixed assets	108,99	15,61%	67,70	15,32%
Long-term receivables	1,59	0,23%	0,54	0,12%
Long-term prepayments	0,35	0,05%	1,49	0,34%
Current assets (short-term)	**436,12**	**62,47%**	**261,33**	**59,13%**
Inventories	209,54	30,02%	120,26	27,21%
Trade receivables	160,36	22,97%	36,89	8,35%
Other short-term receivables	22,64	3,24%	2,71	0,61%
Cash and cash equivalents	41,25	5,91%	99,04	22,41%
Short-term prepayments	2,32	0,33%	2,43	0,55%
Total assets	**698,12**	**100,00%**	**441,94**	**100,00%**

Table 7 Eurocash Group: Structure of liabilities

PLN million	31.12.2006	%	31.12.2005	%
Total Equity	**199,03**	**28,51%**	**175,75**	**39,77%**
Long-term liabilities	**19,23**	**2,75%**	**4,67**	**1,06%**
Long-term loans and credits	-	-	-	-
Other long-term financial liabilities	12,73	1,82%	4,31	0,98%
Other long-term liabilities	2,50	0,36%	-	-
Deferred income tax provision	3,49	0,50%	-	-
Provision for employee benefits	0,50	0,07%	0,36	0,08%
Other long-term provisions	-	-	-	-
Short-term liabilities	**479,86**	**68,74%**	**261,52**	**59,18%**
Short-term loans and credits	73,50	10,53%	-	-
Other short-term financial liabilities	2,54	0,36%	1,74	0,39%
Trade liabilities	371,19	53,17%	236,85	53,59%
Current income tax liabilities	3,54	0,51%	4,19	0,95%
Other short-term liabilities	18,75	2,69%	8,14	1,84%
Short-term provisions	10,34	1,48%	10,59	2,40%
Liabilities and provisions	**499,09**	**71,49%**	**266,19**	**60,23%**
Total liabilities and equity	**698,12**	**100,00%**	**441,94**	**100,00%**

1.6 Evaluation of financial resources management

Due to the negative working capital, the Eurocash Group generates significant positive cash flows from operating activities. All major investments realised in 2006 - acquisition of KDWT and Delikatesy Centrum, as well as openings of new Cash & Carry stores were financed from Eurocash S.A. own financial resources.

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

Liquidity risk
Eurocash Group policy assumes maintaining sufficient cash or free credit lines to service the current payments. Surpluses are deposited in bank deposits.

Currency risk
Eurocash Group revenues and costs are predominately denominated in PLN.

1.7 Assessment of the possibility of executing the planned investments

Major investments planned in 2007 are related to opening of app. 6-10 new Eurocash Discount Cash & Carry stores. Company intends to use cash generated by the Company to finance the aforementioned investments.

Should the Company decide to realise other significant potential investments, in the opinion of the Company's Management, the Eurocash Group has sufficient debt capacity to finance such potential investments.

1.8 Major events and factors affecting the 2006 financial results

Acquisition of 100% of shares in KDWT S.A.

On 31st March 2006, Eurocash purchased 100% of shares in KDWT, the 2nd biggest tobacco distributor in Poland with a market share of app. 9%. As a result of the transaction Eurocash Group is the 2nd biggest (in terms of sales) FMCG wholesaler in Poland. Eurocash started consolidation of KDWT as of 31st March 2006.

Agreements to purchase franchise chain of retail stores under the "Delikatesy Centrum" brand

On April 28th 2006, Eurocash and its subsidiaries: Eurocash Franszyza Sp. z o.o. („EC Franszyza") and Eurocash Detal Sp. z o.o. („EC Detal") executed with Carment S.A. and its shareholders preliminary agreements regarding purchase of organized parts of Carment's enterprise. In execution of these preliminary agreements, on August 16th 2006, Eurocash, EC Franszyza and EC Detal concluded with Carment M. Stodółka i Wspólnicy Sp. Jawna ("Carment") and its partners final agreements. According to these agreements:

- Eurocash acquired an organised part of Carment's enterprise dedicated to wholesale business– mainly supply of FMCG products to "Delikatesy Centrum" stores,
- EC Franszyza acquired an organised part of Carment's enterprise, which encompasses franchise chain of retail stores under the "Delikatesy Centrum" brand,
- EC Detal acquired an organised part of Carment's enterprise, which encompasses
- 30 own stores operated by Carment under the "Delikatesy Centrum" brand.

Additionally, Eurocash obliged himself to issue for the selected partners in Carment management options, which will entitle to subscribe after 36 months from concluding of the final agreements, for newly issued Eurocash shares with total value of PLN 3,500,000 at the issue price equal to the average price of Eurocash shares at the Warsaw Stock Exchange within 30 days prior to executing of the final agreements.

Moreover, according to the additional agreements concluded in the same day, partners in Carment who are currently employed in Carment, will run for period of 36 months following the day of executing of the final agreements, as partners in FHC-2 spółka z ograniczoną odpowiedzialnością – spółka komandytowa, the retail business of 30 Carment's own stores acquired by EC Detal (based on franchise and store rental agreements), and they will also provide EC Franszyza with services related to the ongoing servicing and expansion of the "Delikatesy Centrum" store chain, based on separate service agreement.

General Meeting of Shareholders

The Ordinary General Meeting of Shareholders of Eurocash S.A. was held on 26 April 2006. The General Meeting, among other things:

- decided to pay dividends for 2005 in an amount of PLN 20,438,720, which gives PLN 0,16 per share.
- accepted the incentive schemes for key managers of KDWT S.A. and for specified employees of the Company and KDWT
- amended the Articles of Association, the Regulations of the General Meeting and the Regulations of the Supervisory Board of Eurocash S.A.

The full text of resolutions was included in the current report no. 13/2006 on 26 April 2006.

2 Eurocash Group development perspectives

2.1 Eurocash Group business overview

Eurocash is group of FMCG wholesale companies in Poland. The group consists of:

- **Eurocash S.A.** – which business comprised in 2006 of:
  - **Eurocash Discount Cash & Carry** – the biggest discount cash & carry chain in Poland in terms of number of outlets and franchisor of the "abc" grocery store chain;
  - **Delikatesy Centrum** – a leading franchise chain of supermarkets in south-eastern Poland.
- **KDWT S.A. –** countrywide wholesale distributor of tobacco and impulse products;

Eurocash Discount Cash & Carry outlets sell an optimized selection of Fast Moving Consumer Goods (i.e. food, drinks, alcohol, and tobacco as well as home care and personal hygiene products) for small and medium-sized grocery shops. At the end of 2006, the network counted 96 Discount Cash & Carry points, located across all of the country's 16 voivodships. The Eurocash wholesale network serves over 60,000 customers mainly in small and medium-sized towns (over 25,000 inhabitants). Over 43% of sales are generated by grocery stores belonging to the abc franchise chain.

At the end of 2006 the abc franchise chain comprised of 2416 outlets. These are independent small and average-size stores that are integrated in the neighborhood, offering food, home care and personal hygiene products . They rely on Eurocash for marketing support, training and improved commercial and promotional conditions, which enable them to compete effectively in their marketplaces.

Since 16 August 2006 Eurocash manages Delikatesy Centrum - the leading franchise chain of supermarkets in south-east Poland receiving from Eurocash wholesale supply along with operational support and co-ordination of marketing activities for the Delikatesy Centrum stores provided by Eurocash Franszyza, the franchisor. At the end of 2006 the Delikatesy Centrum chain comprised of 235 franchise stores.

KDWT with over 60 branches, is a nation-wide operator in Active Distribution, through a specialised sales force, of tobacco and impulse products such as confectionery, batteries or telephone cards.

Eurocash S.A. offers around 3500 products in Cash&Carry stores and app. 7000 in Delikatesy Centrum Distribution Centers. KDWT offers around 2000 products. The Eurocash Group sells all over Poland and does not carry out any export or import activity.

2.2 Sales structure

The tables below presents sales breakdown by key groups of products offered by Eurocash and KDWT.

Table 8 Eurocash S.A. sales by groups of products

Product groups	2006	%	2005	%
Dry groceries	377 298	19,6%	355 926	18,5%
Fresh food and fat	306 900	15,9%	250 167	13,0%
Canned food and drinks	251 050	13,0%	236 846	12,3%
Beverages and tobacco	734 057	38,1%	583 265	30,3%
Chemicals and hygiene products	172 268	8,9%	150 285	7,8%
Other	85 438	4,4%	64 420	3,3%
Total	**1 927 012**	**100,0%**	**1 640 909**	**100,0%**

Table 9 KDWT: sales by groups of products

Product groups	2006	%	2005	%
Tobacco	1 264 753	78,9%	1 182 512	76,0%
Pre-paid cards	30 029	1,9%	30 070	1,9%
Pharmaceuticals	213 679	13,3%	244 906	15,7%
Food impulse products	7 093	0,4%	6 439	0,4%
Chemicals and hygiene products	12 276	0,8%	-	-
Other	76 000	4,7%	92 473	5,9%
Total	**1 603 830**	**100,0%**	**1 556 399**	**100,0%**

Besides offering well-known brands, Eurocash Group also markets products available exclusively in its chain; the sales of such products account for 14.14% of the Eurocash Cash&Carry total sales.

2.3 Suppliers

Because of the range of goods offered by Eurocash Group and its geographically diversified sales, its suppliers group is very large – app. 500. The brand product suppliers (key FMCG manufacturers and importers) are selected based on their respective market shares, brand significance, and coverage of respective product segments. In the opinion of the Management Board the Eurocash Group is not dependent on any supplier.

2.4 Economic environment & market trends

Eurocash is positioned in the FMCG (Fast Moving Consumer Goods) sector.

The FMCG sector includes food and non-alcoholic beverages, alcoholic beverages and tobacco, as well as detergents and cosmetics. The market has been growing slowly but steadily (in the past years by about 3% annually). The acceleration of economic growth allows for more dynamic expansion of the market and in 2006 FMCG market in Poland grew by 6% The value of the FMCG market in Poland in 2006 according to GfK Polonia was estimated at PLN 144 billion.

The Polish demographic structure and the socio-economic conditions define, to a large extent, the structure of the distribution channels. Such a structure is nowhere to be found elsewhere in Europe. Poland's population is dispersed throughout the country: some 40% of the population lives in the rural areas. No significant changes are foreseen in this overall distribution until the year 2030. Making the FMCG products available to a large number of small communities presents a huge challenge to distributors and requires a large number of smaller outlets.

Housing conditions and penetration of automobiles in the families define another unique quality of the Polish market, i.e. small and frequent purchases. Small apartments have little room for storage, and large purchases are out of the question due to the lack of transportation. Although these conditions are changing for the better, this will be a long-term process.

The effect of the above factors is that the traditional distribution channel dominates the Polish market. At present, it is responsible for approximately 50% of the market (included are petrol stations and convenience stores) and probably at least until 2010 it will remain more important than the modern channel (hypermarkets, supermarkets and discount stores), which currently constitutes only 37% of the total. The remaining 13% remain in the hands of the alternative channel - HoReCa (hotels, restaurants and cafes).

The wholesale business is organized primarily to service both traditional and alternative channels. Since 1995 a significant concentration has been observed: of more than 20,000 previously existing wholesale companies, fewer than 5,000 have remained. This concentration takes place at the expense of small local wholesalers who cannot compete with the ever more demanding legal and market conditions. Eurocash Group is the one of the biggest FMCG wholesalers in Poland.

In the opinion of Eurocash, the FMCG wholesale market is extremely attractive due to its value, declining number of competitors, existence of few international players and also because of the existence of many communities without professional operators, which are too small for the concepts requiring huge investments. Eurocash sees an opportunity of further growth by becoming an active player in this process and also one of the main consolidation centers on the wholesale market.

2.5 Eurocash development strategy

The strategic objectives of Eurocash Group are:

- to satisfy needs of small and medium retail stores in Poland across all significant assortment groups and distribution formats,
- to build sustainable competitive advantage through the scale effect implicit in common wholesale activity of a multi format group of business units.

As the market is consolidating around a decreasing number of wholesalers with national presence, the Eurocash strategy assumes further **organic growth** in each business unit and **ongoing acquisitions** aimed at other wholesalers and franchise networks.

2.5.1 Discount Cash&Carry and abc franchise network

Growth of Eurocash Discount Cash & Carry operations focuses on **2 measures**: i) like-for-like growth through ever-improving implementation of its concept in existing outlets and ii) regional expansion.

i) Like-for-like growth

Eurocash Discount Cash & Carry will always be looking into ways of better satisfying our customers' needs, **thus increasing our share of their turnover,** in order to **increase sales per store.** This implies:

- developing new categories and products,
- launching more regional products,
- offering best selling assortment at most competitive prices,
- improving operational effectiveness together with clients,
- improving the customer experience inside C&C stores through modernizing facilities, layout, communication and adding new elements of customer service.

abc franchise has proved to be a successful concept as a neighborhood network of independent owners, who decide what is best for their customers in over **2 400** stores. Further development requires continuous improvement in the level of support offered to these shops by a dedicated team, so that we may:

- increase the number of abc stores,
- raise the proportion of abc purchases made at Eurocash,
- increase the total sales of the abc store to the final consumer.

ii) Geographic expansion

The Eurocash Discount Cash & Carry concept has the advantage of being profitable in any town with over 25,000 inhabitants. This gives a potential market of over 150 towns that can support Discount Cash & Carry. Eurocash intends to exceed the **100** stores figure in 2007.

2.5.2 KDWT – impulse products active distribution

Eurocash acquired in KDWT the most profitable and the second largest tobacco distributor in Poland. Now Eurocash customers have the choice of buying at the Cash&Carry store or receiving delivery from KDWT. At the same time economies of scale and better exploitation of EC logistic network have been achieved.

The development strategy of KDWT is threefold:

- expansion of the impulse products sales achieved by the KDWT active distribution sales force,
- conquest of new customers thanks to improved competitiveness of KDWT product range,
- cross selling between existing Eurocash and KDWT customers, whereby Eurocash clients get direct sales and delivery of high value impulse products, and KDWT clients get better terms to start buying food from Eurocash Cash&Carry.

As a result, Eurocash expects to:

- expand KDWT tobacco sales to Eurocash clients,
- expand KDWT in new regions using Eurocash Discount Cash&Carry network as a platform for new filias,

2.5.3 Delikatesy Centrum franchise chain

Since from 16 August 2006 Eurocash started to integrate the wholesale activity that Carment had hitherto provided for its franchise chain of supermarkets in the south-east of Poland. This offers the following opportunities for development:

- more competitive purchasing terms for the assortment of Delikatesy Centrum that can be provided by Eurocash,
- leverage on the nation-wide presence of Eurocash in order to expand the “Delikatesy Centrum” franchise into other regions in Poland.

2.6 External and internal factors significant for the development of Eurocash

External Factors:

- Growth in the FMCG market and its structure. Eurocash Group expects further growth of modern distribution methods; its unfavourable impact on company’s income will be compensated by consolidation in the traditional wholesale market

- Fuel prices. As logistic expenses, closely connected with fuel prices, are a vital part of selling expenses, their substantial changes may influence the Eurocash Group profit and loss.

Internal Factors :

- Integration of KDWT operations and business acquired from Carment

Due to necessity of integration of KDWT and former Carment businesses on the operational level, in the opinion of the Management Board of Eurocash achievement of the full synergy effects resulting from these transactions will be possible within 1-2 years.

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

- Organic expansion. Management of Eurocash Group expects, that during 2007 :
    - number of Eurocash cash & carry stores will increase by app. 6-10 stores,
    - number of Delikatesy Centrum franchise stores will increase by app. 40 stores,
    - KDWT will open app. 30 sales platforms within Eurocash cash & carry stores.

- Strict cost control

2.7 Major risks and threats related to the operational activities

External factors

Macroeconomic situation. Purchasing power of the population

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

The structure of the FMCG retail distribution market in Poland

In 2006 the prevailing form of FMCG retail distribution was a traditional distribution channel with approx. 50% share. Such high share (as compared to other European countries) results from a low concentration of population in the area of the country and bad housing conditions, stimulating more frequent purchases. This situation is advantageous for the Eurocash Group for which small and mid-sized shops located off large agglomerations are the most relevant group of customers. A growth in the share of modern distribution will reduce the potential market of the Eurocash Group business.

The structure of the traditional FMCG distribution channel. Competition

According to the estimates of the Eurocash Group, there is approx. 5,000 entities operating on the traditional FMCG distribution market, the majority of which are local stores. That enables price advantage of Eurocash, which operates a country-wide sales chain. Market consolidation, appearance of new strong entities could have a negative impact on the level of margins.

Internal factors

IT systems

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

New investments

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

Suppliers

Eurocash Group cooperates with approximately 500 suppliers, with whom it has concluded agreements providing for discounts and favourable payment terms. While the share of the largest supplier in the Eurocash total product offering does not exceed 5%, the risk, that termination or an unfavourable change of the terms of the agreements might adversely affect Eurocash business and financial results is limited.

3 Additional information

3.1 Major investments

In 2006 majority of Eurocash Group investments were related to the acquisition of KDWT and Delikatesy Centrum. Total costs of KDWT acquisition amounts to PLN 61.01m and total costs acquisition of the organised parts of enterprise of Carment (Delikatesy Centrum) amounted to PLN 35.95 m.

3.2 Explanations regarding seasonality

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

3.3 Loans taken, loan agreements and warranties and collaterals

In 2006 Eurocash Group companies did not entered into any significant agreements regarding taking or granting sureties for a credit, loans or guarantees.

In 2006 Eurocash Group companies did not issue, acquire or repay debt or capital securities.

3.4 Forecasts

The Management Board of Eurocash S.A. has not published financial forecasts for 2006.

3.5 Changes in the basic management principles

In 2006 no changes in the basic management principles took place.

3.6 Changes in the composition of the Management Board and the Supervisory Board

On 6th March 2006 in Eurocash S.A. the resignation from the position of the Supervisory Board Member made by Geoffrey Francis Eric Crossley on 19th January 2005 became effective. On the same day, on the basis of appointment of a Supervisory Board member by Politra B.V. as a result of execution of its right to personally appoint Supervisory Board members, Mr. António José Santos Silva Casanova was appointed to the Supervisory Board.

On 30th June 2006 Roman Stefan Piątkiewicz was appointed to the Management Board of Eurocash S.A.

3.7 Agreements with the members of the Management Board providing for compensation

The Company has not executed any agreements with the members of the Management Board, providing for compensation in the event of their resigning or being dismissed from their positions without a sound reason or when they are dismissed or made redundant due to the Company's merging through acquisition.

3.8 Remuneration paid to the members of the Management Board and the Supervisory Board in 2005

Information on remuneration paid to the members of the Management Board and the Supervisory Board in 2006 is provided in Consolidated Financial Statements part in note no 36.

3.9 Number of shares held by the members of the Management Board and Supervisory Board of Eurocash

as of 25.04.2007

Management Board members	**Series A shares**	**Right to acquire Series B shares**	**Right to acquire Series C shares**	**Right to acquire Series D shares**	**Total**
Luis Amaral (directly and indirectly)	70 258 100	0	0	0	70 258 100
Rui Amaral	0	643 000	498 550	0	1 141 550
Katarzyna Kopaczewska	0	164 000	157 000	0	321 000
Arnaldo Guerreiro	0	483 000	400 000	0	883 000
Pedro Martinho	0	323 000	224 000	0	547 000
Ryszard Majer	0	164 000	157 000	0	321 000
Roman Piątkiewicz	0	0	0	507 222	507 222

Supervisory Board members					
Joao Borges de Assuncao	0	0	0	0	0
Eduardo Aguinaga de Moraes	0	0	0	0	0
Ryszard Wojnowski	0	0	0	0	0
Janusz Lisowski	0	0	0	0	0
Antonio Jose Santos Silva Casanova	0	0	0	0	0

3.10 Shareholders holding more than 5% of the votes at the General Shareholders' Meeting of Eurocash

	25.04.2007				31.12.2006			
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 (%)
1. Luis Manuel Conceicao do Amaral (directly and indirectly through Politra B.V.)	70,258,100	55 %	70,258,100	55 %	70,258,100	55 %	70,258,100	55 %
2. ING Nationale – Nederlanden Polska Otwarty Fundusz Emerytalny	6 598 714	5.17%	6 598 714	5.17%	6 598 714	5.17%	6 598 714	5.17%
3. Charlemagne Capital (IOM) Limited	n.a.	n.a.	n.a.	n.a.	6,488,383	5.08%	6,488,383	5.08%

3.11 Agreements which could lead to changes in shareholding proportions in the future

Apart of the employee shares option schemes described below, Management Board of Eurocash has no information about any agreements which could lead to changes in shareholding proportions in the future.

3.12 Holders of all securities which grant special control rights in relation to the Issuer

As long as Politra B.V., registered seat in Amsterdam, organized and operating under the Dutch law, or any of its legal successors, remains a shareholder holding 40% or more of the shares in the share capital of the Company, it shall have the right to appoint and remove 3 (three) members of the Supervisory Board of Eurocash.

3.13 System for controlling employee share option schemes

Pursuant to Resolution No. 3 of the Extraordinary General Meeting of 14 September 2004 on issue of bonds with the priority right, conditional share capital increase and exclusion of the pre-emption right to new shares of the current shareholders, as amended by Resolution No. 2 of 2 November 2004 and Resolution No. 1 of 25 November 2004, it was decided to issue “B” and “C” shares under the Incentive Scheme designated for executive officers, managerial staff and key personnel of Eurocash S.A.

Pursuant to Resolution No. 17 of the Extraordinary General Meeting of 25 April 2006 on issue of the KDWT Incentive Scheme it was decided to issue “C” shares for specific executive officers of KDWT.

Eurocash plans also to undertake to issue Carment Incentive Scheme with issue “D” shares for specific executive officers of Carment.

3.14 Limitations on the transfer of ownership rights to the Issuer’s securities and limitations on exercising the voting rights carried by the Issuer’s shares

Eurocash corporate documents do not contain any provisions which would limit the transfer of rights to the Company’s shares.

Each Eurocash share carries one vote at the General Shareholders Meeting. There are no limitations on exercising the voting rights from the Company’s shares.

3.15 Information on the registered audit company

The financial statements of Eurocash and Eurocash Group for 2006 were audited by HLB Frąckowiak i Wspólnicy Sp. z o.o. on the basis of a contract concluded on 18.07.2006 r.
The total fees specified in the contract with the registered audit company, payable or paid for the audit and review of the financial statements and for other services are presented below:

PLN ‘000	**2006**	**2005**
Audit of financial statements	110,0	38,6
Review of financial statements	65,0	27,4
Other services	0,0	4,5
Total	175,0	70,5

4 Representations of the Management Board

4.1 Accuracy and reliability of the reports presented

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

- the consolidated annual financial statements and comparable data have been drawn up in accordance with the applicable accounting principles and give a true and fair view of the economic and financial position of Eurocash Group and of the results of its operations,
- the report of the Management Board on the business activities of Eurocash Group in 2006 contains a true views of the development, achievements and position of Eurocash Group, including a description of main risks and threats.

4.2 Appointment of the entity qualified to audit financial statements

The members of the Management Board of Eurocash S.A. represent that, HLB Frąckowiak i Wspólnicy Sp. z o.o., the entity qualified to audit financial statements, which audited the annual consolidated financial statements of Eurocash S.A., has been appointed in compliance with the applicable laws and regulations. The entity and the auditors have met the prerequisites for giving an impartial and independent opinion on the audit in accordance with the applicable provisions of the law.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President	Luis Amaral	25 April 2007	
Management Board Member Chief Executive Officer	Rui Amaral	25 April 2007	
Management Board Member Financial Executive Officer	Arnaldo Guerreiro	25 April 2007	
Management Board Member Sales Director	Pedro Martinho	25 April 2007	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	25 April 2007	
Management Board Member IT Director	Ryszard Majer	25 April 2007	
Management Board Member	Roman Piątkiewicz	25 April 2007	

Statement on Observance of Corporate Governance Rules
Set Forth in "Best Practices in Public Companies in 2005" in 2007

Eurocash S.A. (the "**Company**") finds the implementation of corporate governance rules immensely important for functioning of the Polish capital market and shares premises, ideas and assumptions underlying these rules. Consequently, in 2005 the Company decided to accept all of the corporate governance rules and supports this decision also in 2007.

L.p.	RULES	YES / NO	COMMENT BY EUROCASH S.A.
	GENERAL RULES		
I	Objective of the Company The main objective of a company's authorities is to further the company's interests, i.e. to increase the value of the assets entrusted to them by the shareholders, taking into consideration the rights and interests of entities other than the shareholders that are involved in the functioning of the company, especially the company's creditors and employees.	**Yes**	
II	Majority Rule and Protection of the Minority A joint-stock company is a capital venture, therefore it must respect the principle of capital majority rule and the primacy of majority over minority. A shareholder who contributes more capital also bears a greater economic risk. It is, therefore, justified that his interests be considered in proportion to the capital he contributes. The minority must have a guarantee that their rights will be properly protected within the limits set by the law and commercial integrity. When exercising his rights, a majority shareholder should take into account the interests of the minority.	**Yes**	

L.p.	RULES	YES / NO	COMMENT BY EUROCASH S.A.
III	<u>Honest Intentions and No-Abuse of Rights</u> The exercising of rights and reliance on legal institutions should be based on honest intentions (good faith) and cannot go beyond the purpose and economic reasons for which these institutions are established. No actions should be taken which, by exceeding the limits set, constitute an abuse of the law. The minority should be protected against any abuse of ownership rights by the majority and the interests of the majority should be protected against any abuse by the minority of its rights, thus ensuring the best possible protection of the equitable interests of the shareholders and other market participants.	**Yes**	
IV	<u>Court Control</u> The company's authorities and persons chairing the general meeting cannot decide on issues which should be resolved by a court judgment. This does not apply to activities which the company's authorities and persons chairing general meetings are authorized or obliged to undertake by force of law.	**Yes**	
V	<u>Independent Opinions Ordered by the Company</u> When choosing an entity to provide expert services, particularly an auditor, financial and tax advisors or legal advisors, the company should examine whether there are any circumstances that would limit the entity's independence when performing the tasks entrusted.	**Yes**	

L.p.	RULES	YES / NO	COMMENT BY EUROCASH S.A.
	BEST PRACTICES OF GENERAL MEETINGS		
1	A general meeting should take place in a location and at a time that allows the participation of as many shareholders as possible.	**Yes**	*Pursuant to § 15 Sec. 2 of the Statute, as adopted on April 25, 2006, general meetings shall take place at the Company's registered seat – in Komorniki next to Poznań, or in two large voivodship cities, i.e., in Warsaw or in Poznań.*
2	A request made by parties entitled to do so for a general meeting to be convened and for certain issues to be put on its agenda should be justified. Draft resolutions proposed for adoption by the general meeting and other key documents should be presented to the shareholders together with justification and a supervisory board opinion before the general meeting to allow them time to review and evaluate the same.	**Yes**	*Pertinent provisions may be found in § 1 Sec. 5 and § 9 Sec. 2 of the "GSM By-laws of Eurocash S.A." (hereinafter: "**GSM By-laws**")*
3	A general meeting convened on the shareholders' request should be held on the date given in the request and, if this date cannot be kept, on the nearest date that would allow the general meeting to settle the issues on its agenda.	**Yes**	*Pertinent provisions may be found in § 1 Sec. 7 of the GSM By-laws.*
4	A general meeting whose agenda includes certain issues at the request of authorized entities or which has been convened on such a request can only be cancelled with the consent of the requesting parties. In all other instances, a general meeting can be cancelled if its holding is hindered (force majeure) or is obviously groundless. A meeting is called off in the same way as it is convened, limiting negative consequences for the company and its shareholders as far as possible and no later than three weeks before the original meeting date. A change in the date of a general meeting is made in the same way as a cancellation, even if the proposed agenda does not change.	**Yes**	*The Company generally neither calls off nor changes the dates of already convened general meetings, unless under extraordinary or particular circumstances. Pertinent provisions may be found in § 1 Sec. 8 and 9 of the GSM By-laws.*

L.p.	RULES	YES / NO	COMMENT BY EUROCASH S.A.
5	Before a shareholder's representative can participate in a general meeting, his right to act on the shareholder's behalf should be duly documented. It should be presumed that a written document confirming the right to represent a shareholder at a general meeting conforms with the law and does not require any additional confirmations or acknowledgement unless the company's management board or the chairman of the general meeting has doubts about its authenticity or validity prima facie (when drawing up the list of attendance).	**Yes**	*Pertinent provisions may be found in § 5 Sec. 3 of the GSM By-laws.*
6	The general meeting should have regular by-laws setting out in detail the principles on which meetings are conducted and resolutions adopted. The by-laws should, in particular, contain provisions on elections, including elections to the supervisory board by voting in separate groups. The by-laws should not be subject to frequent change; it is advisable for any changes to enter into force as of the following general meeting.	**Yes**	*The GSM By-laws were adopted by the general meeting on November 22, 2004. They contain, among others, provisions pertaining to elections to the Supervisory Board by voting in separate groups. So far the By-laws have been amended twice: on April 11, 2005 and on April 25, 2006. Introduced amendments did not have negative effect on the stability of the GSM By-laws. Pursuant to Sec. 2 of the Final Provisions of the GSM By-laws, should they be subject to any amendments, such amendments enter into force as of the subsequent general meeting. The GSM By-laws, in the version including amendments introduced on April 25, 2006 is available at the Company's website.*
7	The person opening the general meeting should immediately organize the election of the meeting chairman and should refrain from making any substantial or formal decisions.	**Yes**	*Pertinent provisions may be found in § 3 Sec. 4 of the GSM By-laws.*
8	The chairman of the general meeting ensures that the meeting is run efficiently and that the rights and interests of all the shareholders are observed. The chairman should, in particular, counteract any abuse of rights by meeting participants and should guarantee that the rights of minority shareholders are respected. The chairman should not, without good reason, resign from his function or delay signing the meeting minutes.	**Yes**	*Pertinent provisions may be found in § 4 Sec. 2, 4 and 5 of the GSM By-laws. To ensure that this rule is being observed, pursuant to § 4 Sec. 1 letter (e) of the GSM By-laws, the person opening the general meeting shall ensure that the person elected for the chairman of such meeting is acquainted with the GSM By-laws.*

L.p.	RULES	YES / NO	COMMENT BY EUROCASH S.A.
9	A general meeting should be attended by the members of both the supervisory board and the management board. The auditor should also be present at an annual general meeting and an extraordinary general meeting if the company's financial matters are to be discussed. The absence of a supervisory or management board member from the general meeting requires an explanation, which should be given at the meeting.	**Yes**	*Pertinent provisions pertaining to the attendance of the Supervisory and Management Board members in general meetings may be found, respectively, in § 5 Sec. 6 of the "By-laws of the Supervisory Board of Eurocash S.A." (hereinafter: "**SB By-laws**") and in § 5 Sec. 3 of the "By-laws of the Management Board of Eurocash S.A." (hereinafter: "**MB By-laws**"), as well as in § 6 of the GSM By-laws. The agreement with the auditor has also been accordingly amended as regards the attendance of its representatives at the general meetings.*
10	Supervisory and management board members and the company's auditor should, within their powers and to the extent needed to settle issues discussed at the general meeting, provide meeting participants with explanations and information about the company.	**Yes**	*Pertinent provisions may be found in § 6 Sec. 3 of the GSM By-laws. The agreement with the auditor has also been accordingly amended.*
11	All answers provided by the management board to questions posed by the general meeting should take into account the fact that a public company carries out its reporting obligations in the way stipulated in the Law on the Public Trading in Securities; certain information cannot be provided in any other way.	**Yes**	*Pertinent provisions may be found in § 6 Sec. 4 of the GSM By-laws and in § 5 Sec. 4 of the MB By-laws.*
12	Short breaks in the session which do not constitute an adjournment and are ordered by the chairman in justified cases cannot be aimed at hindering the exercising by the shareholders of their rights.	**Yes**	*Pertinent provisions may be found in § 4 Sec. 3 of the GSM By-laws.*
13	Voting on administrative issues may only concern issues related to the running of the meeting. Resolutions which may have an impact on the exercising by the shareholders of their rights cannot be voted on in this way.	**Yes**	*Pertinent provisions may be found in § 7 Sec. 1 letter (b) of the GSM By-laws.*
14	A resolution not to consider an issue on the agenda may be adopted only if it is supported by sound reasons. Any motion in this respect should be accompanied by a detailed justification. A decision to remove an item from the agenda or not to consider an issue put on the agenda at a shareholder's request requires a general meeting resolution, once all the shareholders present who put the issue on the agenda have given their consent, supported by 75% of the votes present at the meeting.	**Yes**	*Pertinent provisions may be found in § 16 Sec. 8 of the Statute and in § 7 of the GSM By-laws.*

L.p.	RULES	YES / NO	COMMENT BY EUROCASH S.A.
15	Any party objecting to a resolution must be given the opportunity to put forward concise reasons for its objections.	**Yes**	*Pertinent provisions may be found in § 9 Sec. 7 of the GSM By-laws.*
16	As the Code of Commercial Companies does not provide for court control in the event of a resolution not being adopted by the general meeting, the management board or the meeting chairman should form resolutions in such a way that anyone who does not agree with the merits of a decision being the subject of the resolution has the possibility of challenging the same, provided that he is entitled to do so.	**Yes**	*Pertinent provisions may be found in § 9 Sec. 6 of the GSM By-laws.*
17	Written statements made by a participant at a general meeting are recorded in the minutes at the participant's request.	**Yes**	*Pertinent provisions may be found in § 14 Sec. 2 of the GSM By-laws.*
BEST PRACTICES OF SUPERVISORY BOARDS			
18	The supervisory board submits a concise evaluation of the company's standing to the general meeting every year. The evaluation should be made available to all shareholders early enough to allow them to become acquainted with the contents before the annual general meeting.	**Yes**	*Provisions pertaining to the submission of a concise annual evaluation of the Company's standing by the Supervisory Board may be found in § 5 Sec. 5 of the SB By-laws and in § 5 Sec. 6 of the MB By-laws. The Supervisory Board annually submits such evaluation to the general meetings. The evaluation is also made available to all shareholders early enough to allow them to become acquainted with the contents before the meetings.*
19	A member of the supervisory board should have the relevant education, the appropriate professional and practical experience, be of high moral standing and be able to devote the time required to perform his supervisory board function properly. Supervisory board candidature should be announced and supported by reasons sufficiently detailed to enable an informed choice to be made	**Yes**	*Pertinent provisions pertaining to election of the Supervisory Board members, including the rules for announcing candidacies may be found in § 11 and § 12 of the GSM By-laws and in § 3 of the SB By-laws. Furthermore, the Supervisory Board has worked out certain criteria which shall be met by each and every member of the Supervisory Board, attached to do the SB By-laws as Appendix 1 thereto. The members of the Supervisory Board meet the foregoing criteria.*

L.p.	RULES	YES / NO	COMMENT BY EUROCASH S.A.
20	1 (a) At least half the members of the supervisory board should be independent members, subject to point (d) below. Independent members of the supervisory board should not have relations with the company and its shareholders or employees which could significantly affect the independent member's ability to make impartial decisions.	**Yes**	*Pursuant to § 13 Sec. 1 of the Statute, the Supervisory Board shall consist of 5 (five) members. Pursuant to § 13 Sec. 4 of the Statute, Messrs. Ryszard Wojnowski and Janusz Lisowski, as two members of the Supervisory Board elected by the general meeting, are free from any links which could materially impair their ability to take impartial decisions (they are the "independent members of the Supervisory Board"). Pursuant to § 13 Sec. 2 of the Statute, in the wording adopted on April 25, 2006, as long as Politra B.V. (or any of its legal successors), organized and operating under Dutch law, with registered seat in Amsterdam, remains a shareholder holding 40% or more shares in the share capital of the Company, it shall have the right to appoint and remove 3 (three) members of the Supervisory Board, save that 1 (one) of the members of the Supervisory Board appointed and removed by Politra B.V. shall meet the criteria of an "independent member of the Supervisory Board" and the remaining members of the Supervisory Board appointed and removed by Politra B.V. may become independent members of the Supervisory Board after submitting a representation that they meet the criteria for independency presented in the comment to Rule 20 (b) herein. Such representations were made by Messrs. João Borges de Assunção and António José Santos Silva Casanova, appointed to the Supervisory Board by Politra B.V. Consequently, 4 out of 5 members of the Supervisory Board are "independent members of the Supervisory Board".*
	(b) Detailed independence criteria should be laid down in the company's statutes.	**Yes**	*Pursuant to § 13 Sec. 4 of the Statute, only a person who is free from any links which could materially impair his/her ability to take impartial decisions and in particular, a person who does not have any business or family links with the Company, its shareholders, employees, related entities or the employees of such related entities, and does not have any links with the Company's competitors, their employees, related entities or the employees of such related entities may be deemed an "independent member of the Supervisory Board".*

L.p.	RULES	YES / NO	COMMENT BY EUROCASH S.A.
	(c) Without the consent of the majority of independent supervisory board members, no resolutions should be adopted on the following issues: (i) performances of any kind by the company and any entities associated with the company in favor of management board members; (ii) consent to the execution by the company or a subsidiary of a key agreement with an entity associated with the company, a member of the supervisory board or management board, or with their associated entities; and (iii) appointment of an auditor to audit the company's financial statements.	**Yes**	*Pursuant to § 14 Sec. 4 of the Statute, the following resolutions shall be validly adopted only when majority of "independent Members of the Supervisory Board" voted in favor:* *(i) any action by the Company or any of its related entity that causes the benefit for the Members of the Management Board;* *(ii) entering by the Company or its subsidiary into a material agreement with a Company's related entity, a Member of the Supervisory Board or Management Board or their related entities;* *(iii) election of the expert auditor to examine the Company's financial statements;* *(iv) issuing opinions regarding granting of loans or financial assistance as well as concluding agreements with any Member of the Management Board which fall outside the ordinary course of business; and* *(v) 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.*
	(d) In companies where one shareholder holds a block of shares carrying over 50% of all voting rights, the supervisory board should consist of at least two independent members, including an independent chairman of the audit committee, should such a committee be set up.	**Yes**	*Politra B.V. is a shareholder holding a block of shares carrying over 50% of all voting rights in the Company. Nevertheless, as indicated in the comment to Rule 20 (a), 4 out of 5 members of the Supervisory Board are "independent members of the Supervisory Board". Consequently, the Company meets more stringent criteria pertaining to the independency of the Supervisory Board members and does exercise the particular right included in Rule 20 (d), which would allow the Company to have only two independent members of the Supervisory Board. Accordingly, it does not comply with the additional requirement set forth in Rule 20 (d) related to the necessity to have an independent chairman of the Audit Committee. Notwithstanding to above, the Company is of the opinion that it is not in breach of the central idea of Rule 20 (d), the more so because the remaining members of the Audit Committee are "independent members of the Supervisory Board".*
21	A supervisory board member should, above all, keep the company's interests in mind.	**Yes**	*When serving their positions, the Supervisory Board members keep the Company's interests in mind. Pursuant to Sec. 1 (iv) of Appendix 1 to the SB By-laws, each of the Supervisory Board members should execute a statement that she/he is able to devote all time required to properly perform the function on the Supervisory Board and shall, most of all, bear in mind the interests of the Company. Furthermore, the Supervisory Board members executed statements that they had read, understood and agreed to comply with the "Best Practices…" in accordance with the Company's statement made under § 29 Sec. 2 of the WSE By-laws.*

L.p.	RULES	YES / NO	COMMENT BY EUROCASH S.A.
22	Supervisory board members should take the relevant action to receive from the management board regular and complete information on any and all significant issues concerning the company's operations and on any risks related to the business and ways of managing such risks.	**Yes**	*Pertinent provisions may be found in § 5 Sec. 4 of the SB By-laws and in § 5 Sec. 4 of the MB By-laws. § 14 Sec. 3 and 4 of the Statue lists actions of the Management Board which require the advance Supervisory Board's consent issued in the form of a resolution.*
23	A supervisory board member should inform the other members of the board of any conflict of interest that arises, and should refrain from participating in discussions and from voting on any resolution on the issue in respect of which the conflict of interest has arisen.	**Yes**	*Pertinent provisions may be found in § 3 Sec. 7 letter (a) of the SB By-laws.*
24	Information on a supervisory board member's personal, actual and organizational connections with a given shareholder, particularly with the majority shareholder, should be made publicly available. The company should have a procedure in place for obtaining such information from supervisory board members and for making it publicly available.	**Yes**	*Pertinent provisions may be found in § 3 Sec. 7 letter (b) and in § 3 Sec. 8 of the SB By-laws.*
25	Supervisory board meetings should be accessible and open to management board members, save for issues which directly concern the management board or its members, especially the removal, liability and remuneration (of management board members).	**Yes**	*This is the custom of the Company that the Management Board members are invited for the Supervisory Board meetings, however they leave them during any discussion related to issues which directly concern the Management Board or its members. Pursuant to § 10 Sec. 3 of the SB By-laws, also the Audit Committee may invite the Management Board members to be present at its meetings.*
26	A supervisory board member should make it possible for the management board to present publicly and in an appropriate manner information on the transfer or acquisition of shares in the company or in its dominant company or subsidiary and of transactions with such companies, provided that such information is relevant to his financial standing.	**Yes**	*Pertinent provisions may be found in § 3 Sec. 9 of the SB By-laws.*

L.p.	RULES	YES / NO	COMMENT BY EUROCASH S.A.
27	Supervisory board members' remuneration should be set on the basis of a set of transparent procedures and rules. The remuneration should be fair but should not constitute a significant cost item in the company's business or have a material impact on its financial results. It should also be in reasonable relation to the remuneration of members of the management board. The total amount of all supervisory board members' remuneration, as well as the remuneration of individual members, with a breakdown of its various elements should be disclosed in the annual report together with information on the procedures and rules applied to determine it.	**Yes**	*Pursuant to § 14 Sec. 6 of the Statute, members of the Supervisory Board shall receive remuneration on terms and in amounts specified in a resolution of the general meeting. In addition, in accordance with § 12 Sec. 6 of the GSM By-laws, members of the Supervisory Board delegated to permanently exercise supervision pursuant to Article 390 § 2 of the Commercial Companies Code, shall be granted additional remuneration. The remuneration of the Supervisory Board does not constitute a significant cost item in the Company's business. It is also in reasonable relation to the Company's results and is verified by the general meeting. The total amount of all Supervisory Board members' remuneration, as well as the remuneration of individual members, with a breakdown of its various elements is disclosed in the annual report together with information on the procedures and rules applied to determine it.*
28	The supervisory board should operate in accordance with its by-laws, which should be publicly available. The by-laws should stipulate that at least two committees should be set up: - audit, and - remuneration. The audit committee should consist of at least two independent members and at least one person possessing the relevant qualifications and experience in accounting and finance. The committee's tasks should be specified in the board by-laws. The committees should present reports on their activities to the supervisory board every year. The company should then make these reports available to its shareholders.	**Yes**	*On November 22, 2004 the Company has adopted the SB By-laws which is available at the Company's website. Pertinent provisions pertaining to the composition and competences of the Audit Committee and Remuneration Committee may be found in Section VII of the SB By-laws. Pursuant to § 10 Sec. 1 letter (e) and § 11 Sec. 1 letter (d) the SB By-laws, the responsibilities of both Committees include annual evaluation of their own functioning in a form an annual report of their activities which is included as a part of the Supervisory Board's annual report presented at the annual general meeting.*
29	The agenda of a supervisory board meeting should not be amended or supplemented during the meeting to which it relates. This requirement does not apply if all the supervisory board members are present and agree to the amendment or supplementation, and if certain actions have to be taken by the supervisory board to protect the company against damage and in the case of a resolution assessing whether there is a conflict of interests between a supervisory board member and the company.	**Yes**	*Pertinent provisions pertaining to convening and holding the Supervisory Board meetings may be found in § 9 Sec. 15 of the Statute and in § 6 Sec. 3-9 of the SB By-laws.*

L.p.	RULES	YES / NO	COMMENT BY EUROCASH S.A.
30	A supervisory board member delegated by a group of shareholders to permanently exercise supervision should submit detailed reports on the performance of his task to the supervisory board.	**Yes**	*Pertinent provisions may be found in § 5 Sec. 2 the SB By-laws.*
31	A supervisory board member should not resign from his function during his term of office if this would make it impossible for the board to function, particularly if it could hinder the timely adoption of an important resolution.	**Yes**	*Pertinent provisions may be found in § 13 Sec. 7 of the Statute and in § 3 Sec. 1 letter (f) of the SB By-laws.*
	BEST PRACTICES OF MANAGEMENT BOARDS		
32	With the company's interests in mind, the management board sets out the strategy and the main objects of the company's operations and submits them to the supervisory board. The management board is responsible for implementation and performance. The management board sees that the company's management system is transparent and effective and that its business is conducted in accordance with legal regulations and best practice.	**Yes**	*Pertinent provisions may be found in § 5 Sec. 1 and in § 4 Sec. 2 of the MB By-laws.*
33	When making decisions on corporate issues, management board members should act within the limits of justified business risk, i.e. after considering all information, analyses and opinions, which, in the reasonable opinion of the management board, should be taken into account in a given case in view of the company's interest. When determining the company's interests, the long-term interests of the company's shareholders, creditors and employees should be kept in mind, as well as those of other entities and persons cooperating with the company, also the interests of the local community.	**Yes**	*Pertinent provision may be found in § 4 Sec. 3 of the MB By-laws.*
34	In transactions with shareholders and other persons whose interests affect those of the company, the management board should act with the utmost care to ensure that the transactions are carried out at arm's length.	**Yes**	*Pertinent provision may be found in § 5 Sec. 2 of the MB By-laws.*

L.p.	RULES	YES / NO	COMMENT BY EUROCASH S.A.
35	A management board member should always be loyal to the company and avoid actions which could lead to the advancement of his own material interests only. If a management board member receives information about the opportunity to make an investment or another advantageous transaction relating to the company's objects, he should put this information immediately before the management board to be reviewed in terms of the company taking advantage of it. Such information may only be used by a management board member or passed on to a third party with the consent of the management board and only if it does not infringe on the company's interests.	**Yes**	*Pertinent provision may be found in § 4 Sec. 4 of the MB By-laws. The Management Board members executed statements that they had read, understood and agreed to comply with the "Best Practices…" in accordance with the Company's statement made under § 29 Sec. 2 of the WSE By-laws.*
36	A management board member should treat his shares in the company and its dominant companies and subsidiaries as a long-term investment.	**Yes**	*Pertinent provision may be found in § 4 Sec. 11 of the MB By-laws.*
37	Management board members should inform the supervisory board whenever a conflict of interests arises, or if there is a risk of a conflict of interests arising in connection with the function performed.	**Yes**	*Pertinent provision may be found in § 4 Sec. 5 of the MB By-laws.*
38	The remuneration of management board members should be set on the basis of transparent procedures and principles, taking into account its incentive nature and ensuring effective and smooth management of the company. The remuneration should correspond to the size of the company's business enterprise, should be in reasonable relation to business results, and be related to the scope of liability in a given function, taking into account the level of remuneration of members of management boards in similar companies on a similar market.	**Yes**	*Pursuant to § 9 Sec. 4 of the Statute, Management Board members shall receive remuneration on terms and in amounts specified in a resolution of the Supervisory Board. The foregoing remuneration is set on the basis of the recommendation under Rule 38.*
39	The total amount of all management board members' remuneration, as well as the remuneration of individual members, with a breakdown of its various elements should be disclosed in the annual report together with information on the procedures and rules applied to determine it. If the amount of the remuneration of individual members of the management board significantly differs, it is recommended that a relevant explanation be published.	**Yes**	*The total amount of all Management Board members' remuneration, as well as the remuneration of individual members, with a breakdown of its various elements is disclosed in the annual report together with information on the procedures and rules applied to determine it.*

L.p.	RULES	YES / NO	COMMENT BY EUROCASH S.A.
40	The management board should lay down in the by-laws principles and procedures for operating and allocating powers. These principles should be clear and generally available.	**Yes**	*Principles and procedures for operating and allocating powers of the Management Board members are included in the MB By-laws, adopted by the Management Board on December 7, 2004. The MB By-laws are available at the Company's website.*
	BEST PRACTICES IN RELATIONS WITH THIRD PARTIES AND THIRD PARTY INSTITUTIONS		
41	When selecting an auditor, the company should ensure that he will perform the tasks entrusted to him impartially.	**Yes**	*When selecting an auditor, the Company pays special attention to ensure that it will perform the tasks entrusted to him impartially. Pursuant to § 10 Sec. 1 letter (d) of the SB By-laws, the responsibilities of the Audit Committee include supervising the relationship with the external auditor, including in particular (i) assessing the external auditor's independence, remuneration and any non-auditing work for the Company, (ii) determining the involvement of the external auditor in respect of the contents and publication of financial reporting.*
42	In order to ensure an impartial opinion, the company should change its auditor once every five years at the least. The change of auditor should also be understood as a change in the individual carrying out the audit. Additionally, over a long period of time the company should not use the services of the same auditing entity.	**Yes**	*The Company shall ensure the change in the individual person carrying out the audit at least once every five years.*
43	The auditor should be selected by the supervisory board on the recommendation of the audit committee, or by the general meeting on the recommendation of the supervisory board containing the audit committee recommendation. If an auditor other than the one recommended by the audit committee is chosen by either the board or the general meeting, detailed reasons should be given. Information on the selection of an auditing entity together with the relevant justification should be disclosed in the annual report.	**Yes**	*Pursuant to § 14 Sec. 2 item (viii) of the Statute, specific tasks of the Supervisory Board shall include election of the expert auditor to examine the Company's financial statements. Under § 14 Sec. 4 of the Statute, the foregoing resolution shall be validly adopted only when majority of "independent members of the Supervisory Board" voted in favor. Furthermore, in accordance with § 4 Sec. 7 of the SB By-laws, the Chairman of the Supervisory Board shall obtain the opinion of the Audit Committee on the candidates for the Company's external auditor. Before the pertinent Supervisory Board's resolution regarding the election of the Company's external auditor is adopted, the Chairman shall present such opinion for the Board's discussion.*
44	The current auditor or the auditor auditing the annual accounts of the company or its subsidiaries in the period under examination cannot act as a special purpose auditor for the same company.	**Yes**	*In case a special purpose auditor is appointed, the Company shall exercise due care to ensure that this will not be the current auditor or the auditor auditing the annual accounts of the company or its subsidiaries in the period under examination.*
45	A company should acquire its own shares in such a way that no group of shareholders is privileged.	**Yes**	*So far the Company has not acquired its own shares, however, the Management Board declares that if this is the case, it will exercise due care to ensure that no group of shareholders is privileged.*

L.p.	RULES	YES / NO	COMMENT BY EUROCASH S.A.
46	The company's statutes, its basic internal regulations, information and documents related to general meetings, and its financial statements should be made available in the company's registered office and on its website.	**Yes**	*The Company's Statutes, by-laws of its corporate bodies, information and documents related to general meetings, and its financial statements are made available in the Company's registered office and at its website.*
47	A company should have appropriate media relations procedures and regulations and an information policy ensuring coherent and reliable information about the company. The company should, in compliance with legal regulations and to safeguard its interests, make information on its current operations and business standing available to media representatives and allow them to attend general meetings.	**Yes**	*Information policy for investor and media relation is handled by specially designated persons. The Company publishes press releases at its website and informs about material events and developments in the Company on the ongoing basis. The Company also allows media representatives to attend general meetings.*
48	In its annual report, a company should include a statement to the effect that corporate governance standards are applied. Any departure from these standards should also be publicly explained.	**Yes**	*The Company issued this statement together with its annual report for 2006.*

Komorniki next to Poznań, April 24, 2007