EUROCASH S.A.

SEPARATE 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 financial statements of Eurocash Spółka Akcyjna (the Company) 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,
- balance sheet as at December 31, 2006, with total assets of PLN 588 638 910 (in words: five hundred eighty eight million six hundred thirty eight thousand nine hundred ten),
- profit and loss account for the period from January 1, 2006 to December 31, 2006, with a net profit of PLN 35 879 233 (in words: thirty five million eight hundred seventy nine thousand two hundred thirty three),
- statement of changes in equity, with a net increase in equity for the period from January 1, 2006 to December 31, 2006 of PLN 17 589 985 (in words: seventeen million five hundred eighty nine thousand nine hundred eighty five),
- cash flow statement with a net cash outflow for the period from January 1, 2006 to December 31, 2006 of PLN 73 954 050 (in words: seventy three million nine hundred fifty four thousand fifty),
- additional notes and explanations.

The Management Board of the Company is responsible for the preparation and fair presentation of these 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 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 financial statements and express an opinion whether, based on our audit, these financial statements give, in all material respects, a true and fair view of the financial position of the Company 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 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 financial statements. The audit also included the assessment of the accounting policies used by the Company and significant estimates made by the Company's Management Board as well as an evaluation of the overall presentation of the financial statements. We believe that our audit has provided a reasonable basis for expressing an opinion on the financial statements.

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

- present truly and fairly all information material for the assessment of the Company'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 financial statements and the provisions of the Company's articles of association.

Without qualifying our opinion as to the fairness and accuracy of the audited financial statements, we draw attention to the fact that the presented financial statements are stand-

HLB Frąckowiak i Wspólnicy Sp. z o.o.

alone statements and should mainly serve statutory purposes. They should not constitute the only basis to assess the financial and proprietary standing of the Company which is a parent Company in the Eurocash S.A. Capital Group. Apart from the accompanying stand alone financial statements, the Company prepares consolidated financial statements of the Capital Group in accordance with the International Financial Reporting Standards, therefore the financial and proprietary standing of the Company should be examined in connection with the situation in the Eurocash S.A. Capital Group.

We have read the Management Report on the Company'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 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.

LONG FORM AUDITOR'S REPORT
SUPPLEMENTING THE OPINION
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

EUROCASH S.A.

POZNAŃ, APRIL 25, 2007

1. BACKGROUND

Eurocash S.A. (the Company) was established on July 30, 2004 as a result of transformation of a limited liability company. The Company was created for an unlimited period of time. The registered office of the Company is located in Komorniki, ul. Wiśniowa 11.

The basic object of the Company's business is:

- 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 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 0000213765 on July 30, 2004.

The Company 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 Company as at the balance sheet date, i.e. December 31, 2006, was PLN 127,742 thousand. The Company's equity as at that date was PLN 193 339 thousand.

According to note 16 of the additional notes and explanations to the financial statements as at December 31, 2006, the ownership structure of the Company's 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%

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 Company's 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.

The Company is a parent Company Eurocash S.A. Capital Group. The following companies are related with the Company:

- KDWT S.A., Komorniki,
- Eurocash Detal sp. z o.o., Komorniki,
- Eurocash Franszyza sp. z o.o., Komorniki.

As at April 25, 2007 the Company's Management Board consisted of:

- 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.

During the period from January 1, 2006 to April 25, 2007 there was a change in the composition of the Company's Management Board. 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. FINANCIAL STATEMENTS FOR THE PREVIOUS YEAR

The Company's financial statements for the financial year ended December 31, 2005 (previous financial year) were audited by HLB Frąckowiak i Wspólnicy Sp. z o.o., on behalf of which acted a statutory auditor Jan Letkiewicz No. 9530/7106. The auditor issued an unqualified opinion on the audited financial statements.

The Company's financial statements for the financial year ended December 31, 2005 were approved by the General Meeting of Shareholders on April 25, 2006. Company's Shareholders adopted a resolution that the 2005 net profit of PLN 32 566 thousand will be distributed as follows:

- dividends for stockholders PLN 20 439 thousand,
- reserve capital PLN 12 127 thousand.

The Company's financial statements for the financial year ended December 31, 2005 (previous financial year) together with a statutory auditor's opinion, resolutions of the General Meeting of Shareholders on the approval of the financial statements and on distribution of profit as well as the Management Report on the Company's business operations were submitted on May 5, 2006 in the National Court Register.

The balance sheet as at December 31, 2005, the profit and loss account, the statement of changes in equity and the cash flow statement for the financial year ended December 31, 2005 (previous financial year) together with the opinion of a statutory auditor, resolutions of the General Meeting of Shareholders on the approval of the financial statements and on the distribution of profit were on December 28, 2006 published in Monitor Polski B number 1536.

3. INFORMATION ABOUT THE AUDITOR

HLB Frąckowiak i Wspólnicy Sp. z o.o. with its registered office in Poznań, pl. Wiosny Ludów 2 is an entity authorised to audit financial statements, entered on the list of the National Council of Statutory Auditors in Poland under No. 238.

On behalf of HLB Frąckowiak i Wspólnicy Sp. z o.o. the audit of the financial statements was headed by a statutory auditor Jan Letkiewicz, reg. number 9530/7106.

HLB Frąckowiak i Wspólnicy Sp. z o.o. was appointed to audit the Company's financial statements for the financial year ended December 31, 2006 by Supervisory Board. We have audited these financial statements pursuant to the contract concluded with the Company's Management Board on July 18, 2006.

4. THE SCOPE AND DATE OF THE AUDIT

The purpose of our audit was to express a written opinion, together with a report, whether the 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.

In our audit of financial statements and the books of account we used tests and samples that are adequate for the financial audit. We assessed the correctness of the audited items based on those tests and samples. Our audit was limited to selected samples also in respect of tax settlements, therefore differences may occur between our findings and the results of any potential inspections of authorised tax authorities.

We have not aimed our audit to determine and explain any events that might be – should they occur - a basis for the institution of criminal proceedings by the competent authorities. Also, the audit did not cover other issues that might have occurred outside the Company's accounting system and which do not influence the audited financial statements.

We conducted our audit of the Company's financial statements for the financial year ended December 31, 2006 from December 11, 2006 to April 25, 2007, including the fieldwork in the registered office of the Company from December 11 to December 15, 2005 and from January 29 to February 9, 2007.

5. INDEPENDENCE DECLARATION

HLB Frąckowiak i Wspólnicy Sp. z o.o. and the statutory auditor managing the audit meet the conditions specified in Article 66 clause 2 and 3 of the Accounting Act to express an independent opinion on the audited financial statements of the Company.

6. AVAILABILITY OF DATA AND STATEMENTS RECEIVED

During the audit the Company's Management Board made available to us all books of account, financial data, information, other required documents and provided explanations necessary to issue an opinion on the financial statements audited.

On April 25, 2007 the Company's Management Board provided us with a written representation on the completeness, fairness and accuracy of the audited financial statements and that between the balance sheet date and the date of audit completion no events occurred that might materially impact the assets and the financial position of the Company and which would need to be included in the audited financial statements. The Company's Management Board confirmed its responsibility for the audited financial statements.

7. ACCOUNTING SYSTEM

The Company's books of account are kept with the use of a computer system SAP R/3 and Ferrodo in the Company's registered office. The Company has a documentation referred to in Article 10 of the Accounting Act, including the accounting policy (principles).
In our opinion, the accounting policy (principles) of the Company disclosed in the notes to the financial statements adequately reflects the nature of its business.

The approved closing balances as at December 31, 2005 were properly entered in the books of account as the opening balances as at January 1, 2006.

Our audit did not reveal any material weaknesses which could influence the financial data and information in the audited financial statements and which concern:

- documenting of business transactions,
- fairness, correctness and verifiability of books of account,
- links between book entries and accounting documents as well as the audited financial statements,
- methods of safeguarding the access to the data and the system of processing the data with the use of a computer,
- safeguarding of the accounting documentation, books of account and financial statements.

8. BALANCE SHEET

ASSETS (in PLN '000)	31.12.2006	31.12.2005	31.12.2004
A. FIXED ASSETS	**281 941**	**180 607**	**178 557**
Intangible fixed assets	113 029	110 819	108 283
Tangible fixed assets	93 562	67 733	68 511
Long-term receivables	1 588	556	189
Long-term investments	73 413	-	-
Long-term deferred items	349	1 500	1 575
B. CURRENT ASSETS	**306 698**	**261 334**	**188 582**
Inventories	156 955	120 261	112 281
Short-term receivables	106 518	39 596	41 186
Other financial assets	15 950	-	-
Cash and cash equivalents	25 091	99 045	33 915
Prepaid expenses	2 184	2 433	1 200
TOTAL ASSETS:	**588 639**	**441 942**	**367 139**
LIABILITIES (in PLN '000)	31.12.2006	31.12.2005	31.12.2004
A. EQUITY	**193 339**	**175 749**	**142 665**
B. LIABILITIES AND PROVISIONS	**395 300**	**266 192**	**224 475**
Long-term liabilities	16 694	4 670	3 263
Short-term liabilities	378 606	261 522	221 212
TOTAL LIABILITIES:	**588 639**	**441 942**	**367 139**

9. PROFIT AND LOSS ACCOUNT

REVENUES AND COSTS (in PLN '000)	2006	2005	2004
1. Net sales	1 978 448	1 687 137	1 526 532
2. Operating expenses	1 720 857	1 456 655	1 328 498
3. Profit / loss on sales	**257 591**	**230 482**	**198 034**
4. Other operating income	140 272	124 403	110 395
5. Other operating expenses	66 640	54 894	44 194
6. Profit / loss on operating activity	**50 679**	**51 185**	**43 445**
7. Financial revenues	6732	4 708	1 584
8. Financial expenses	11 388	11 241	13 834
9. Profit / loss on business activity	**46 024**	**44 652**	**31 195**
10. Result of extraordinary events	4 464	2 523	4 248
11. Gross profit / loss	4 007	5 491	7 933
12. Income tax expense	**46 480**	**41 683**	**27 510**
13. Other obligatory charges	10 601	9 117	5 369
14. Net profit/loss	35 879	32 566	22 141

10. INFORMATION ABOUT CERTAIN ITEMS OF THE FINANCIAL STATEMENTS

The structure of assets and liabilities in the Company's balance sheet is presented in the audited financial statements for the financial year ended December 31, 2006.

The last counting of fixed assets was conducted by the Company in 2006. Pursuant to the Accounting Act the Company carries out a physical count of fixed assets every four years. Differences between the balance of fixed assets in the books of account and their balance determined through the count were adjusted in the books of account of 2006.

The Company conducts the inventory count of goods on a continuous basis, both distribution centres and warehouses undergo the count at least once in two years. Differences between the balances of stocks in the books of account and their balances determined through the inventory were explained and adjusted in the books of account of the year in which the inventory count was performed.

On August 16, 2006 Eurocash S.A. together with its subsidiaries, Eurocash Franszyza Sp. z o.o. and Eurocash Detal Sp. z o.o. signed with Carment, M. Stodółka i Wspólnicy Spółka Jawna with its registered office in Krosno, final agreements on a sale of an organised part of the enterprise, on the basis of which:

- Eurocash S.A. purchased an organised part of the enterprise which included a set of tangible and intangible assets separated organisationally and financially together with liabilities, which was designed for the activity related to the wholesale of FMCG. The activity acquired by the Company as the organised part of the enterprise consists in particular in supplying the network of retail shops, "Delikatesy Centrum" with FMCG.
- Eurocash Franszyza sp. z o.o. acquired an organised part of the enterprise which covered the franchise network of retail shops, "Delikatesy Centrum",
- Eurocash Detal sp. z o.o. acquired an organised part of the enterprise designed for the activity related to retail sales of FMCG.

As a result of a settlement of the acquisition of the organised part of the enterprise, goodwill of PLN 9,976 thousand was recognised in the Company's books of account. The Company presented the information about the settlement of the business combination in note 1 of the additional notes and explanations to the financial statements. As at December 31, 2006 the Company performed an obligatory impairment test for the goodwill acquired as a result of the business combination. No necessity to record an impairment write-down for the goodwill was identified.

In addition, as at December 31, 2006 the Company performed an analysis, with regard to assets, of indications which implied the necessity to conduct impairment tests for those assets. As a result of the analysis of the indications no need to conduct impairment tests for the assets used was identified.

In the intangible assets item the Company reports "ABC" and "Eurocash" trademarks which in the opinion of the Management Board have an indefinite useful life.
The Company performed obligatory impairment tests for intangible assets with an indefinite useful life. The analysis did not identify any need to record impairment write-downs for those assets.

Revenues and related costs were included in the books on accrual basis.

11. BASIC FINANCIAL DATA AND RATIOS

Selected financial data and ratios for 2004, 2005 and 2006 that demonstrate the financial position of the Company during that period are presented below. We calculated all ratios on the basis of the data included in the Company's financial statements for the years ended December 31, 2006 and December 31, 2005.

Ratio	Calculation formula	Ratio Value		
		2006	2005	2004
sales (PLN thousands)		1 978 448	1 687 137	1 526 532
net profit/loss (PLN thousands)		35 879	32 566	22 141
equity (PLN thousands)		193 339	175 749	142 665
total assets (PLN thousands)		588 639	441 942	367 139
return on assets (ROA) (%)	net profit (loss) / total assets at the end of the period	6.10	7.37	6.03
return on equity (ROE) (%)	net profit (loss) / equity at the beginning of the period	20.41	22.83	19.31
return on sales (%)	result on sales / sales of products and merchandise	2.56	3.03	2.85
liquidity ratio I	total current assets* / short-term liabilities*	0.81	1.00	0.85
liquidity ratio III	cash / short-term liabilities*	0.07	0.38	0.15
receivables turnover ratio (in days)	trade receivables** x 365 days / sales of products and merchandise	17	8	10
repayment of payables (in days)	trade payables x 365 days / (value of merchandise and materials sold + cost of products sold)	70	59	56
inventory turnover (in days)	inventories x 365 days / (value of goods for resale and materials sold + cost of products sold)	33	30	31

Ratio	Calculation formula	Ratio Value		
		2006	2005	2004
stability of financing	(equity + long-term provisions + long-term liabilities + long-term deferred revenue) / total liabilities and equity	0.36	0.41	0.40
debt ratio (%)	(total liabilities and equity – equity) / total liabilities and equity	67.15%	60.23%	61.14%
inflation rates:				
annual average (%)		1.0	2.1	3.5
December to December (%)		1.4	0.7	4.4

* excluding trade receivables/payables of more than 12 months.

12. CONTINUATION AS A GOING CONCERN

In note 1.6 of the additional notes and explanations to the Company's audited financial statements for the year ended December 31, 2006 the Management Board stated that these financial statements were prepared under the assumption that the Company 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 Company's ability to continue as a going concern.

In the course of our examination we found no material circumstances that could produce a conviction that the Company 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.

13. ADDITIONAL NOTES

The additional information and explanation to the 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.

14. REPORT ON THE COMPANY'S BUSINESS OPERATIONS

We have reviewed the report of the Management Board from the activity of the Company in the financial year ended on December 31, 2006. The information contained in the report from the activity, deriving from the financial statements for the financial year ended on December 31, 2005 examined by us is compliant with it. The report from the activity of the company in material aspects meets the requirements of art. 49.2 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.

15. COMPLIANCE WITH LAW

In a written statement received by us the Management Board confirmed that to the best of its knowledge the Company complied with all laws whose violation could materially impact the financial statements audited by us.

This report contains 12 pages.

Jan Letkiewicz	Cecylia Pol
Statutory Auditor No. 9530/7106	President of the Management Board HLB Frąckowiak i Wspólnicy Sp. 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

EUROCASH S. A.

SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2005 TO 31 DECEMBER 2006

KOMORNIKI, 25th APRIL 2007

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GENERAL INFORMATION

1. PARTICULARS OF THE COMPANY

1.1. NAME

EUROCASH Spółka Akcyjna [*joint-stock company*]

1.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

1.3. CORE BUSINESS

Other wholesale trade (Polish classification of activities: PKD 5190 Z)

1.4. REGISTRY AUTHORITY

District Court in Poznań, XXI Business Division of the National Court Register, KRS 00000213765

1.5. LIFETIME OF THE COMPANY

Unlimited

1.6. REPORTING PERIOD

Reporting period from 1 January 2006 to 31 December 2006 and a comparative period from 1 January 2005 to 31 December 2005

2. AUTHORITIES OF THE COMPANY

2.1. MANAGEMENT BOARD

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

2.2. SUPERVISORY BOARD

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

2.3. CHANGES TO MEMBERSHIP IN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

On 6th March 2006 the resignation from the position of a member of the Supervisory Board submitted on 19th January 2006 by Geoffrey Francis Eric Crossley became effective. On the same day, Mr António José Santos Silva Casanova was appointed by Politra B.V. as a member of the Supervisory Board, on the basis of the right of the company to exercise the right of personal appointment of the members of the Supervisory Board.

On 30th June 2006 the appointment of Mr. Roman Stefan Piątkiewcz to the Eurocash Management Board came into effect.

all amounts are denominated in Polish zlotys (unless provided otherwise)

SELECTED FIGURES

SELECTED UNIT 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	1 978 448 439	1 687 137 016	507 411 566	419 341 589
Operating profit (loss)	46 023 561	44 651 738	11 803 637	11 098 287
Profit (loss) before tax	46 480 343	41 683 192	11 920 788	10 360 448
Net Profit (loss) on continued operations	35 879 233	32 566 149	9 201 927	8 094 387
Net profit (loss)	35 879 233	32 566 149	9 201 927	8 094 387
Net operating cash flow	51 111 971	91 171 823	13 108 659	22 660 956
Net investment cash flow	(93 855 433)	(24 315 936)	(24 071 051)	(6 043 779)
Net financial cash flow	(31 210 588)	(1 726 031)	(8 004 562)	(429 009)
Net change in cash and cash equivalents	(73 954 050)	65 129 856	(18 966 954)	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	134 934 158	134 129 100	134 934 158	134 129 100
EPS (in PLN / EUR)	0,28	0,25	0,07	0,06
Diluted EPS (in PLN / EUR)	0,27	0,24	0,07	0,06
Average PLN / EUR rate*	-	-	3,8991	4,0233

	as at 31.12.2006 PLN	as at 31.12.2005 PLN	as at 31.12.2006 EUR	as at 31.12.2005 EUR
Assets	588 638 910	441 941 757	153 643 482	114 498 616
Long-term liabilities	16 694 048	4 670 131	4 357 394	1 209 941
Short-term liabilities	378 605 442	261 522 192	98 821 633	67 755 374
Equity	193 339 419	175 749 434	50 464 455	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	134 934 158	134 129 100	134 934 158	134 129 100
Book value per share (in PLN / EUR)	1,51	1,38	0,40	0,36
Diluted book value per share (in PLN / EUR)	1,43	1,31	0,37	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

* - Profit and loss items were converted at a rate being an arithmetic average of mid-rates announced by the National Bank of Poland, applicable on the last day of each month.

** - Balance sheet items and share book value were converted at a mid-rate of the National Bank of Poland, applicable on the balance sheet day.

all amounts are denominated in Polish zlotys (unless provided otherwise)

FINANCIAL STATEMENTS

UNIT 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	27	**1 978 448 439**	**1 687 137 016**
Net sales of traded goods		1 927 011 632	1 640 908 755
Net sales of services		51 436 807	46 228 261
Net sales of materials		-	-
Prime costs of sales		**(1 720 857 245)**	**(1 456 655 458)**
Costs of sold traded goods		(1 720 857 245)	(1 456 655 458)
Costs of sold services		-	-
Costs of sold materials		-	-
Gross profit (loss) on sales		**257 591 194**	**230 481 558**
Costs of sales	28	(140 272 005)	(124 402 701)
Costs of general management	28	(66 639 888)	(54 894 032)
Profit (loss) on sales		**50 679 301**	**51 184 825**
Other operating revenues	29	6 731 963	4 707 550
Other operating costs	29	(11 387 704)	(11 240 638)
Share in profits of companies consolidated with the equity method		-	-
Costs of restructuring		-	-
Operating profit (loss)		**46 023 561**	**44 651 738**
Financial revenues	30	4 463 618	2 522 607
Financial costs	30	(4 006 836)	(5 491 153)
Other profit (loss) on investments		-	-
Profit (loss) before tax		**46 480 343**	**41 683 192**
Income tax	24	(10 601 110)	(9 117 043)
Net profit (loss) on continued operations		**35 879 233**	**32 566 149**
Discontinued operations			
Net loss on discontinued operations		-	-
Net profit (loss)		**35 879 233**	**32 566 149**

NET EARNINGS PER SHARE

	Note	PLN/share	PLN/share
Net profit (loss) on continued operations		35 879 233	32 566 149
Net profit (loss) on continued and discontinued operations		35 879 233	32 566 149
Weighted average number of shares		127 742 000	127 742 000
Weighted average diluted number of shares		134 934 158	134 129 100
from continued operations			
- basic	31	0,28	0,25
- diluted	31	0,27	0,24
from continued and discontinued operations			
- basic	31	0,28	0,25
- diluted	31	0,27	0,24

all amounts are denominated in Polish zlotys (unless provided otherwise)

BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	as at 31.12.2006	as at 31.12.2005
Assets			
Fixed assets (long-term)		**281 940 597**	**180 607 408**
Goodwill	2	9 975 600	**-**
Intangible fixed assets	2	103 052 844	110 819 059
Tangible fixed assets	3	93 562 313	67 732 878
Investment real property		-	-
Investments in subsidiary companies	6	73 413 012	-
Long-term financial assets available for sale		-	-
Other long-term financial assets		-	-
Long-term receivables	9	1 588 307	555 759
Long-term prepayments		348 521	1 499 712
Deferred income tax assets	25	-	1 103 455
Other long-term prepayments	26	348 521	396 256
Current assets (short-term)		**306 698 312**	**261 334 348**
Invetories	10	156 954 611	120 260 552
Trade receivables	12	92 539 162	36 889 803
Current income tax receivables		-	-
Other short-term receivables	12	13 979 260	2 706 467
Short-term financial assets available for sale		-	-
Short-term financial assets held for trade		-	-
Other short-term financial assets	13	15 950 000	-
Cash and cash equivalents		25 090 714	99 044 764
Short-term prepayments	14	2 184 565	2 432 762
Fixed assets classified as held for sale		-	-
Total assets		**588 638 910**	**441 941 757**

all amounts are denominated in Polish zlotys (unless provided otherwise)

BALANCE SHEET AS AT 31 DECEMBER 2006

Liabilities	Note	as at 31.12.2006	as at 31.12.2005
Equity		**193 339 419**	**175 749 434**
Share capital	15	127 742 000	127 742 000
Supplementary capital	16	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		36 538 217	33 225 132
Profit (loss) of prior years		658 983	658 983
Net profit (loss) of the current year		35 879 233	32 566 149
Liabilities		**395 299 490**	**266 192 323**
Long-term liabilities		**16 694 048**	**4 670 131**
Long-term loans and credits		-	-
Other long-term financial liabilities	22	12 734 894	4 313 378
Other long-term liabilities		2 499 999	-
Deferred income tax provision	25	1 120 579	-
Provision for employee benefits	18	338 577	356 753
Other long-term provisions		-	-
Short-term liabilities		**378 605 442**	**261 522 192**
Short-term loans and credits	20	14 355 781	-
Other short-term financial liabilities	22	2 535 759	1 743 252
Trade liabilities	19	329 365 403	236 854 087
Current income tax liabilities	24	3 537 007	4 188 247
Other short-term liabilities	19	18 789 655	8 141 837
Short-term provisions	18	10 021 837	10 594 769
Liabilities due to fixed assets held for sale		-	-
Total liabilities		**588 638 910**	**441 941 757**

all amounts are denominated in Polish zlotys (unless provided otherwise)

UNIT 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	**46 480 343**	**41 683 192**
Adjustments:	31 600 012	29 893 706
Depreciation	28 018 374	25 553 626
(Profit) loss on sold tangible fixed assets	2 122 000	2 212 996
(Profit) loss on sold financial assets available for sale	(1 344 000)	-
Costs of interest	2 803 638	4 153 169
Interest received	-	(2 026 086)
Operating cash before changes in working capital	78 080 354	71 576 898
Changes in inventory	(20 831 327)	(7 979 790)
Changes in receivables	(44 712 380)	1 223 616
Changes in liabilities	48 560 318	35 118 995
Changes in provisions and accruals	465 268	(1 841 868)
Other adjustments	2 149 472	371 779
Operating cash	63 711 706	98 469 630
Interest paid	(3 571 420)	(2 543 168)
Income tax paid	(9 028 315)	(4 754 640)
Net operating cash	51 111 971	91 171 823
Investment cash flow		
Expenditures for purchased intangible fixed assets	(619 909)	(11 308 606)
Receipts from sold intangible fixed assets	84 019	2 600
Expenditures for purchased tangible fixed assets	(20 249 797)	(15 301 486)
Receipts from sold tangible fixed assets	15 881 510	265 470
Expenditures for purchased financial assets as held for sale	600	-
Receipts from sold financial assets as held for sale	5 337 000	-
Expenditures for purchased subsidaries (less for cash taken)	(78 338 856)	-
Given loans	(15 950 000)	-
Interest received	-	2 026 086
Net investment cash	(93 855 433)	(24 315 936)
Financing cash flow		
Receipts due to taking loans and credits	-	-
Repaid loans and credits	(8 379 720)	-
Repaid liabilities under financial lease	(1 999 898)	(1 414 184)
Interest	(392 250)	(311 847)
Dividends paid	(20 438 720)	-
Net financing cash	(31 210 588)	(1 726 031)
Net change in cash and cash equivalents	**(73 954 050)**	**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	**25 090 714**	**99 044 764**

all amounts are denominated in Polish zlotys (unless provided otherwise)

UNIT 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				
Net profit for the period from 1 January to 31 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				
Net profit for the period from 1 January to 31 December 2006	-	12 127 429	23 751 805	35 879 233
Total profit and loss recorded in the period from 1 January to 31 December 2006	**-**	**12 127 429**	**23 751 805**	**35 879 233**
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**	**36 538 217**	**193 339 419**

ADDITIONAL INFORMATION TO SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2005 TO 31 DECEMBER 2006

1. GENERAL INFORMATION

1.1. FINANCIAL STATEMENTS PUBLICATION

Separate financial statements of Eurocash S.A. for the period from 1 January 2006 to 31 December 2006 were approved for publication by resolution of the Management Board of 27 September 2006.
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 quarterly report with the quarterly abbreviated consolidated financial statements on 25th April 2007.
Eurocash is a joint-stock company whose shares are publicly traded.

1.2. STATEMENT OF COMPLIANCE

As at 1st January 2005 the Company decided to prepare the financial statements in accordance with International Accounting Standards, International Financial Reporting Standards and related to these interpretations announced in the form of orders of the European Commission.

1.3. INFORMATION ABOUT THE GROUNDS FOR PREPARING THE FINANCIAL STATEMENTS, REPORTING CURRENCY AND APPLIED LEVEL OF ROUNDING

Separate financial statements of EUROCASH S.A. 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).

1.4. COMPARABILITY OF FINANCIAL STATEMENTS

The accounting principles as well as calculation methods applied in the preparation of the financial statements remained unchanged in comparison to the ones applied in the last annual financial statements.

1.5. INFORMATION ABOUT THE PARENT ENTITY AND THE 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.

1.6. GOING CONCERN BASIS

The financial statements were prepared on a going concern basis – there are no circumstances indicating any threat to the going concern of the Company.

2. APPLIED PRINCIPLES OF ACCOUNTING

2.1. PRINCIPLES OF ACCOUNTING

The financial statements are prepared in accordance with the historical cost concept, except for valuation of some fixed assets and financial assets which, in accordance with IFRS, are valued at fair value.
The key principles of accounting applied by the Company are presented under items 2.2 – 2.25.

2.2. FINANCIAL YEAR AND REPORTING PERIOD

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

2.3. BOOKKEEPING

Books of accounts are kept in the Polish language and in the Polish currency.
The books of accounts are kept in the registered office of the Company, located at ul. Wiśniowa 11 in Komorniki.

2.4. FORMAT AND CONTENTS OF THE FINANCIAL STATEMENTS

The financial statements are prepared as at the day of books of accounts closure or as at any other balance sheet day.

The financial statements comprise in particular:

- General information
- Profit and loss account
- Balance sheet
- Cash flow statement
- Statement on changes in equity
- Statement on profit and loss
- Additional information
- Notes

2.5. INTANGIBLE FIXED ASSETS

Definition

Intangible fixed assets cover property rights acquired by the Company, designated for use for the needs of the enterprise, suitable for economic utilisation, whose expected useful economic life is longer than one year.

Intangible fixed assets of the Company comprise:

- Licences for computer software,

- Copyrights,
- Rights to trade marks, utility and ornamental designs,
- Know-how,
- Other intangible fixed assets.

Initial value of intangible fixed assets

The initial value of intangible fixed assets is an acquisition price covering the amount due to the seller and other costs paid in direct connection with acquisition of intangible fixed assets.

Amortisation

Time during which intangible fixed assets will generate measurable economic benefits is taken into account while determining the useful life. If it is difficult to define an economically justified useful life or when there is no certainty as to expected measurable benefits, an intangible fixed asset should be charged to costs in its entirety, in accordance with the principle of prudence.

The Company applies the following annual rates of amortisation for particular groups of intangible fixed assets:

- licences – computer software 33,3%
- copyrights 20%
- trade marks 5% - 10%
- know-how 10%
- other intangible fixed assets 20%

Since the useful life of the “Eurocash” and “ABC” trade marks is difficult to define / undefined, they are not amortised but are subject to a periodic impairment test conducted with such frequency as to ensure no material discrepancies between the book value and fair value as at the balance sheet day. The “Eurocash” and “ABC” trade marks are subject to an annual impairment test.

Intangible fixed assets are amortised with a straight-line method, from a month following their acceptance for use. The amortisation is accrued monthly.

Intangible fixed assets of a unit value below PLN 1,200 are charged directly to costs at the moment of their handing over for use.

Verification of amortisation rates, impairment loss

Not later than at the end of a financial year amortisation rates applied to intangible fixed assets are verified. If it is found out that the applied amortisation rates need adjustment – such adjustment is made in the next year and following financial years. Intangible fixed assets of indefinite useful life are subject to annual verification in the case of any circumstances indicating their impairment.

Not later than at the end of a financial year, intangible fixed assets are also verified as to their impairment and the need to make an impairment loss. An impairment loss is charged to other operating costs not later than on the balance sheet day, i.e. in the year of impairment occurrence.

Valuation of intangible fixed assets as at the balance sheet day

As at the end of a financial year (being the balance sheet day) intangible fixed assets should be valued at an acquisition price less amortisation charges and impairment losses.

2.6. TANGIBLE FIXED ASSETS

Definition

Tangible fixed assets cover tangible assets controlled by the Company, suitable for economic utilisation (are complete, useful and allocated for the needs of the Company), whose expected economic life is longer than one year.

Tangible fixed assets of the Company comprise:

- Land,
- Perpetual usufruct right,
- Buildings and structures,
- Technical machinery and equipment,
- Means of transport,
- Other fixed assets (furniture, etc.),
- Constructions in progress,
- Advances for constructions in progress.

Initial value of tangible fixed assets

The initial value of fixed assets is an acquisition price i.e. the price of purchase of an asset, covering the amount due to the seller (excluding deductible VAT and excise tax).
In the case of import, an acquisition price includes also public and legal charges.

An acquisition price covers also costs directly connected with purchase and adaptation of an asset to a condition enabling its use or marketing, including costs of transport, loading, unloading, warehousing or marketing, less rebates, discounts and other similar reductions and recoveries.
If it is not possible to determine the acquisition price of an asset, in particular accepted free of charge, also as a gift, such asset is valued at the sales price of the same or similar object, i.e. at fair value.

Manufacturing cost of constructions in progress covers total costs incurred in the period of construction, assembly, adaptation and improvement, until the balance sheet day or acceptance for use, including but not limited to:

- non-deductible VAT and excise tax,
- cost of serving liabilities incurred to finance the said constructions and exchange gains/losses connected with such liabilities, less revenues from the same.

Fixed asset improvements

Initial value of a given fixed asset is increased by costs of its improvement, i.e. reconstruction, expansion, modernisation or adaptation – provided that improvement expenditures result in a growth of useful value of the asset, compared to the value as at the day of asset acceptance for use. Increase in the useful value may result from extended useful life, increased manufacturing capacity, improved quality of products manufactured with the given asset or reduced exploitation cost of such asset.

Any costs (e.g. periodic overhaul), connected with maintenance of a given fixed asset and not resulting in increasing its useful value, do not increase the initial value of such asset. The Company takes decision on increasing the value of a fixed asset based on the criterion of materiality.

Depreciation

All fixed assets, excluding land and constructions in progress, are depreciated for an estimated economic useful life of the asset, with the straight-line method, while applying the following annual depreciation rates:

- buildings and structures 10%
- technical machinery and equipment 10% - 30%
- means of transport 14% - 20%
- other fixed assets 20%

Land and perpetual usufruct right to land, as well as constructions in progress are not depreciated.

In justified cases (when benefits generated by an asset are not distributed evenly in time), another relevant method of depreciation is applied (e.g. regressive, progressive or other – in any case justified with the distribution of useful life of a given asset). Presently the Company depreciates fixed assets only with the straight-line method.

Fixed assets are depreciated from a month following their acceptance for use. The depreciation is accrued monthly.

Fixed assets of a unit value below PLN 1,200 are charged directly to costs at the moment of their handing over for use.

Profits or losses on sale, liquidation or discontinuance of use of fixed assets are established as the difference between revenues from sale and net value of the said fixed assets and are recorded in the profit and loss account.

Verification of depreciation rates, impairment loss

Not later than at the end of a financial year depreciation rates and depreciation methods applied to fixed assets are verified. If it is found out that the applied depreciation rates and methods need adjustment – such adjustment is made in the next year and following financial years.

Not later than at the end of a financial year, tangible fixed assets (fixed assets, constructions in progress) are also verified as to their impairment and possible need to make an impairment loss.

Recognition that it is highly probable that an asset will not generate the whole or significant part of expected economic benefits in future is an element indicating the need to make impairment loss. Impairment takes place e.g. in the case of liquidation or withdrawal from use of a particular fixed asset.

Impairment loss should be charged not later than on the balance sheet day (i.e. in the year in which the impairment occurred), to other operating costs.

Should a circumstance of the revaluation write-off on assets, including impairment loss, be not longer prevailing, the equivalent of the whole or relevant part of the prior write-off increases the value of the given asset and is included in other operating revenues or financial revenues respectively.

Valuation of fixed assets as at the balance sheet day

Land, buildings and structures used in operating activity are disclosed in the balance sheet at the (revalued) value equal to the amount obtained from asset valuation to its fair value, made by an expert, based on market assumptions (as at a specified day of the said valuation), reduced in subsequent periods by depreciation charges and impairment losses. Valuations are made with such frequency as to ensure no material discrepancies between the book value and fair value as at the balance sheet day.

Increase of a value resulting from revaluation of land, buildings and structures is recorded in revaluation reserve, except for situations when the increased value reverses prior write-off recognised in the profit and loss account (in such case value increase is also recorded in the profit and loss account but only up to the value of the prior write-off). Reduction of a value due to revaluation of land, buildings and structures is recorded as a cost of the period at the amount exceeding prior valuation of the said asset recorded in revaluation reserve.

Depreciation of revalued buildings and structures is recorded in the profit and loss account. At the moment of sale or termination of use of revalued buildings and structures, unsettled amount of revaluation – referring to the said assets – is transferred directly from the revaluation reserve to retained earnings.

Assets of the Company, including land, buildings and structures, were valued at market values as at 30 September 2002 and were contributed in-kind at these values at the moment of the Company formation. According to the Management Board, in the period from 30 September 2002 to the balance sheet day, no impairment of the said assets occurred, therefore land, buildings and structures were not revalued and their book value is the fair value.

Machinery, equipment, means of transport and other fixed assets are presented in the balance sheet at historical cost less accumulated depreciation and impairment losses.

Constructions in progress, developed for the use in operating activity, as well as for so far unspecified purposes, are presented in the balance sheet at manufacturing cost less impairment losses. Manufacturing cost is increased by fees and – for specified assets – by costs of external funding, capitalised in accordance with the principles of accounting.

Stocktaking of fixed assets

Stocktaking of fixed assets is conducted every four years.

2.7. COSTS OF EXTERNAL FINANCING

Costs of external financing, directly connected with acquisition or manufacture of adapted assets, are added to manufacturing costs of such assets, until the said fixed assets are handed over for use. The said costs are reduced by revenues gained from temporary investment of funds obtained for manufacture of a given asset.

Costs of external financing cover interest and other costs incurred by the enterprise due to borrowing funds.

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

2.8. LEASE

Financial lease takes place when a lease agreement, as to the principle, transfers the total risk and benefits derived from holding a leased object to the leaseholder. Any other types of lease are deemed operational lease.

Assets used under a financial lease agreement are treated equally to the assets of the Company and are valued at the moment of commencing the lease agreement at the lower of fair value of an asset being a leased object or the current value of minimum lease fees. Lease fees are divided into interest and principal, so that the interest on outstanding liability is a fixed value.
Liabilities under lease agreements are recorded under balance sheet liabilities in the item "financial liabilities", and divided into short-term and long-term ones.

Fixed assets under a financial lease agreement are depreciated in the shorter of the contractual period of the lease agreement or the economic useful life. However, when an agreement provides the Company with a right to extend the lease agreement for a definite period (and it is highly probable that the Company will exercise the said right), the depreciation period should also account for the said additional period of lease.

Lease fees under operational lease are charged to the profit and loss account on a straight-line basis for the lease period.

2.9. INVESTMENT REAL PROPERTY

Investment real property is real property which is deemed as a source of revenues from rents and/or which is held due to expected growth in their value.
Investment real property is valued as at the balance sheet day at fair value.
Gains and losses due to any change in fair value of investment real property are recorded in the profit and loss account in the period in which they are generated.

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 RECEIVABLES

Definition

Long-term receivables include receivable falling due more than 1 year of the balance sheet day (excluding trade receivables).
This part of long-term receivables which falls due within a year of the balance sheet day should be recorded under short-term receivables.
Long-term receivables cover e.g. prepaid security deposits referring to long-term (multiannual) agreements on shop rental.

Valuation of long-term receivables as at the balance sheet day

As at the balance sheet day receivables are valued at the amount due less possible allowance for bad debts.

In the case of security deposits, the balance sheet day valuation will practically be equal to par value of the said deposits.

2.12. LONG-TERM PREPAYMENTS

Deferred income tax assets

As at the balance sheet day the Company creates deferred income tax assets, if they result in receipt of future economic benefits by the enterprise.

Due to temporary differences between the value of assets and liabilities disclosed in books of accounts and their tax value and tax loss possible to be deducted in future, the enterprise creates a provision and establishes assets due to deferred income tax.

Tax value of assets is an amount reducing income tax base in the case of deriving, directly or indirectly, economic benefits from such assets. If obtainment of economic benefits due to specified assets does not reduce the income tax base, the tax value of assets is their book value.

Tax value of liabilities is their book value less amounts to reduce the income tax base in future.

Deferred income tax assets are established at the amount expected to be deducted in future from income tax, due to negative temporary differences which will result in future reduction of the income tax base, and deductible tax loss established in accordance with the principle of prudence.

The value of deferred income tax assets is established taking account of income tax rates applicable in the year when the tax obligation arises.

In accordance with IAS 12 the Company compensates deferred income tax assets and provision.

Deferred income tax recorded in “income tax” of the profit and loss account is the difference between the balance of deferred income tax provision and deferred income tax assets as at the end and the beginning of the reporting period.

Deferred income tax assets and provision, referring to operations settled with equity, are also recognised in equity.

Other long-term prepayments

Other long-term prepayments cover expenditures incurred until the balance sheet day, being costs of future reporting periods falling due more than 12 months of the balance sheet day.

An analysis of long-term prepayments is made as at each balance sheet day. The part of prepayments to be realised within 12 months of the balance sheet day should be recorded in short-term prepayments.

The aforesaid analysis is performed by the Company, taking account of rational premises and knowledge of particular prepayments.

2.13. FIXED ASSETS AND GROUPS OF NET ASSETS CLASSIFIED AS HELD FOR SALE

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.

The Company classifies tangible assets element (or a group intended for sale) as intended for sale if its balance-sheet value will be recovered first of all in the course of a sale transaction and not through its further usage.

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 recognised 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

Inventories of the Company include:

- Acquired traded goods held for sale in the ordinary course of business,
- Materials acquired for use for own needs,
- Advances paid for supplies of materials and traded goods.

Principles of establishing acquisition price

Acquisition price is established in accordance with the first in - first out (FIFO) method. The Company applies the same method of establishing acquisition price to all stock items.

An acquisition price is all costs of purchase and other costs paid in the course of bringing stocks to their current place and condition.

Costs of stocks purchase comprise the purchase price, import duties and other taxes (excluding the ones which the enterprise may recover from revenue office later on) and costs of transport, loading and unloading, as well as other costs which can be directly allocated to traded goods.

Costs of purchase are reduced by discounts, trade rebates and other similar items.

Valuation of inventories as at the balance sheet day

During a year inventories are recorded in books of accounts at latest acquisition prices of particular stock items. As at the balance sheet day inventories are valued at their latest acquisition prices adjusted by relevant revaluation write-offs.

Taking account of characteristics of goods trade carried out by the Company, and in particular fast movement of stocks, the valuation at the latest acquisition prices does not differ significantly from FIFO valuation.

The Company identifies the following circumstances indicating the need to make a revaluation write-off on inventories:

- loss of useful value of inventories (destruction, expiry, etc.)
- excess of the level of inventories resulting from the demand and selling capacity of the Company,
- low movements of inventories,
- loss of the market value of inventories due to decrease in their sales prices below the inventory valuation level – net value possible to be obtained.

The Company makes revaluation write-offs in accordance with the following principles:

- 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 value of acquisition prices is higher than net realisable value as at the balance sheet day, acquisition prices are reduced to net realisable value by making a revaluation write-off.

Revaluation write-offs on inventories reduce other operating costs.

Stocktaking

Inventories held by the Company are subject to continuous inventory.

Any differences between the actual status and records of books of accounts, found out under an inventory, are analysed, clarified and accounted for in books of accounts of the year of inventory. Inventory results are recorded in books of accounts on a monthly basis.

2.15. FINANCIAL INSTRUMENTS

Definition

The Company recognizes 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 Company 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 Company 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.

The Company is obligated, not later than as at the day of conclusion of a contract, to enter into the accounting books the issued or written instrument, as well as any components of the instrument, which are distinguishable, respectively qualified to shareholder's equity as equity instruments, short-term liabilities or long-term liabilities, also in the event that the liability item is not a financial instrument.

Revaluation differences and the income generated or losses incurred, affect the financial result (liabilities) or the revaluation capital (equity instruments) respectively, dependent on the classification of a particular financial instrument.
As of the day of acquisition, the Company 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 Company includes the costs of transaction in the initial value of valuation of all the financial assets and liabilities.

Valuation of financial instruments as at the balance-sheet date
The Company values in accordance with the following:
- at amortized cost, taking into account effective interest rate: financial assets or liabilities, held-to-maturity investments, loans and receivables and 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: financial assets and liabilities held for trading and financial assets held for sale.

Changes in fair value of 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 RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables
Trade receivables cover receivables created under realised deliveries or services, falling due within 12 months or over 12 months.
Trade receivables do not include receivable due to advances granted to suppliers, which are classified as stocks, and advances for intangible fixed assets and constructions in progress, which increase fixed assets.

Other short-term receivables
Other short-term receivables cover receivables falling due within 1 year of the balance sheet day, excluding trade receivables.
Other short-term receivables do not include advances for intangible fixed assets and constructions in progress, which increase fixed assets.

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

Trade receivables and other short-term receivables are valued in books of accounts at the amount payable adjusted by relevant revaluation write-offs. The value of receivables should be discounted to the current value if the impact of value of money in time is significant.
Default interest for delay in payment of receivables by recipients of the Company is posted at the moment of receiving funds by the Company.

Valuation as at the balance sheet day of receivables denominated in foreign currencies
According to the 21 IFRS receivables denominated in foreign currencies are valued at least as at the balance sheet day at the immediately exchange rate.
Receivables denominated in foreign currencies are valued at least as at the balance sheet day at the mid-rate of the National Bank of Poland as at the said day.
Exchange gains/losses on receivables denominated in foreign currencies, created as at the day of their valuation, are recognised as financial revenues or costs respectively.

Allowance for bad debts
Allowance for bad debts are created for:

- receivables from debtors announced bankrupt or being liquidated – up to the value of receivables not covered by a guarantee or other security,
- receivables from debtors in the case of rejecting a petition for bankruptcy, when assets of the debtor are not sufficient to cover costs of bankruptcy proceedings – up to the full value,
- receivables questioned by debtors – up to the value not covered by a security,
- overdue receivables or not yet overdue but highly probable to become overdue – at the amount fairly estimated by the Company (based on prior experiences, fair analyses, projections, etc.),
- receivables submitted to court – based on monthly analyses of the Legal Department; each account receivable submitted to court is reviewed individually and, depending on the opinion of the Legal Department on the possibility to recover a particular account receivable, an allowance for bad debts is created,
- receivables overdue more than 180 days – 100% of the account receivable value.

Allowance for bad debts takes account not only of events that have occurred until the balance sheet day but also the ones disclosed later on, until the financial statements are approved by the Management Board for publication, if such events refer to an account receivable recorded in books of accounts as at the balance sheet day.
Allowance for bad debts is charged to other operating costs and if it refers to interest – to financial costs.

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 classified as held for sale or available for sale are valued as at the balance sheet day at fair value. In the case of securities classified as held for sale, gains and losses due to any change in fair value are recorded in the profit and loss account for a given period. In the case of assets available for sale, gains and losses due to any change in fair value are recognised directly in equity until an asset is sold or an impairment is recorded. At that time cumulated gains or losses previously recognised in equity are transferred to the profit and loss account for a given period.

2.19. SHORT-TERM PREPAYMENTS

Short-term prepayments cover expenditures paid till the balance sheet day, being costs of future reporting periods falling due within 12 of the balance sheet day.

Short-term prepayments are analysed as at each balance sheet day. These prepayments which are realised within 12 months of the balance sheet day should be recorded in short-term prepayments.
The assessment made by the Company is based on rational premises and knowledge of particular prepayments.

Short-term prepayments cover the short-term part of the following items, amount others:

- prepaid rent,
- prepaid power and central heating,
- prepaid subscriptions, insurance,
- other prepaid services (e.g. telecommunication),
- settlement of costs of transport,
- advances for equipment lease agreements.

2.20. LONG-TERM LIABILITIES

Long-term liabilities cover liabilities falling due more than 12 months of the balance sheet day (it does not refer to trade liabilities).

Long-term liabilities cover mainly:

- liabilities due to incurred loans and credits,
- financial liabilities under financial lease agreements,
- liabilities to sub-lessees of depot premises due to security deposits paid by the same.

Valuation of long-term liabilities as at the balance sheet day
Long-term liabilities are recorded at the amount payable, covering also unpaid interest. Interest is posted at the moment of receiving interest notes.

Valuation as at the balance sheet day of liabilities denominated in foreign currencies
According to the 21 IFRS liabilities denominated in foreign currencies are valued at least as at the balance sheet day at the immediately exchange rate.

Exchange gains/losses on long-term liabilities denominated in foreign currencies, created as at the day of their valuation, are recognised as financial revenues or costs respectively.

2.21. SHORT-TERM LIABILITIES

Short-term liabilities cover liabilities falling due within 12 months of the balance sheet day (it does not refer to trade liabilities).

Short-term liabilities cover in particular:

- liabilities due to incurred loans and credits,
- financial liabilities under financial lease agreements,
- trade liabilities,
- liabilities due to taxes, customs duties, insurance and other benefits,
- liabilities due to payroll.

Valuation of short-term liabilities as at the balance sheet day
Short-term liabilities are recorded at the amount payable, covering also unpaid interest. Interest is posted at the moment of receiving interest notes.

Valuation as at the balance sheet day of short-term liabilities denominated in foreign currencies
According to the 21 IFRS liabilities denominated in foreign currencies are valued at least as at the balance sheet day at the immediately exchange rate.
Exchange gains/losses on short-term liabilities denominated in foreign currencies, created as at the day of their valuation, are recognised as financial revenues or costs respectively.

2.22. BANK LOANS

Interest-bearing bank loans are recorded at acquisition prices corresponding to fair value of acquiring funds, less direct costs of loan acquisition. In next periods loans are valued at amortised acquisition price, accounting for an effective interest rate.

2.23. CAPITAL INSTRUMENTS

Capital instruments issued by the Company are recorded at values of obtained receipts less direct issuing costs.

2.24. PROVISIONS

Provisions are created when the Company is obliged (legally or practically) to create the same due to past events and when it is probable that fulfilment of the said obligation will result in outflow of funds, as well as when the amount of such liability can be fairly estimated.

Provisions may be used based on the lapse of time or the volume of performances. The time and manner of settlement should be justified with the nature of settled costs, in accordance with the principle of prudence.

Liabilities recorded as provisions reduce costs of the reporting period in which it has been found out that such liabilities were not created.

An analysis of accruals per long-term and short-term ones is performed as at each balance sheet day. This part of accruals which is realised within 12 months of the balance sheet day is recorded in short-term provisions. The other part should be recorded in the long-term part.

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

According to the 21 IFRS liabilities denominated in foreign currencies are valued at least as at the balance sheet day at the immediately exchange rate, unless provision has financial character than to the valuation as at the balance sheet day is used closing rate.

Provisions denominated in foreign currencies are valued at least as at the balance sheet day at the mid-rate of the National Bank of Poland as at the said day.

Exchange gains/losses on accruals denominated in foreign currencies, created as at the day of their valuation, are recognised as financial revenues or costs respectively.

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).

Sales of goods

Net sales are recorded when the following conditions are fulfilled:

- the enterprise transferred significant risk and benefits attached to property rights to traded goods to the buyer,
- the enterprise is no longer permanently involved in management of sold traded goods, to the extent such function is usually performed by an owner of goods, and is not exercising an effective control over the same,
- an amount of net sales may be fairly estimated,
- is probable that the enterprise will derive economic benefits from the transaction,
- paid costs and costs to be paid by the enterprise due to the transaction may be fairly estimated.

Delivery of services

If the result of a transaction on providing services can be fairly assessed, revenues from the transaction are recorded based on the degree of transaction realisation as at the balance sheet day. The result of a transaction may be fairly assessed if all the following conditions are satisfied:

- an amount of net sales may be fairly estimated,
- it is probable that the enterprise will derive economic benefits from the transaction,
- the degree of transaction realisation as at the balance sheet day may be fairly estimated,
- costs paid due to the transaction and costs of closing the transaction may be fairly estimated.

If a result on a transaction of providing services may not be fairly estimated, revenues from the transactions are recorded only up to the value of paid costs expected to be recovered by the enterprise.

Interest revenues are recorded successively as they accrue, with regard to the principal, in accordance with the effective interest rate method.

Dividend revenues are recorded at the moment of establishing the shareholders' right to such dividends.

2.26. EMPLOYEE BENEFITS

In accordance with the provisions of the International Accounting Standards, the Company should account in its financial statements for costs due to pension benefits and other employee benefits upon termination of their employment, by creating a provision for pension benefits. Application of IAS 19 "Employee benefits" would result in establishing a provision while applying an actuarial method on projected individual rights.

The Company does not disclose balances connected with costs necessary to incur in future due to termination of the employment relation with employees, as the amount of provision calculated in accordance with IAS is insignificant for the needs of the financial statements.

2.27. TAXES

Mandatory burden on the result comprises current tax and deferred tax.

Current tax burden is calculated based on the tax result (tax base) of a given financial year. Tax profit (loss) differs from net book profit (loss) due to exclusion of taxable revenues and deductible costs in following years as well as costs and revenues which will never be taxable. Tax burden is calculated based on tax rates applicable in a given financial year.

Deferred tax is calculated with the balance sheet method as tax payable or refundable in future on differences between carrying values of assets and liabilities and tax value corresponding to the same, used to calculate the tax base.

Deferred income tax provision is created on all taxable positive temporary differences, whereas a deferred income tax assets is recognised up to the value of probable future reduction of tax profits by recognised negative temporary differences. Tax asset or liability is not created if a temporary difference arises due to goodwill or initial recognition of another asset or liability in a transaction which has no impact either on tax result or book result.

Deferred income tax provision is recognised on temporary tax differences arising due to an investment in subsidiaries, associated companies and joint ventures, unless the Group is able to control the moment of temporary difference reversal and it is probable that the temporary difference will not reverse in foreseeable future.

The value of a deferred income tax asset is analysed as at each balance sheet day and it is written-off when expected future tax profits are not sufficient to realise the asset or any part of the same.

Deferred tax is calculated based on tax rates which will be applicable when an asset is realised or a liability falls due. Deferred tax is recorded in the profit and loss account, except when it refers to items recognised directly in equity. In the latter case deferred tax is also charged directly to equity.

2.28. BUSINESS COMBINATIONS AND CONSOLIDATION PRINCIPLES

Subsidiaries

Subsidiary entities included in the consolidated financial statements, considered as such, are those entities in relation to which the Group has the power to manage their financial and operational policies in order to gain profits from their activity. It is connected with possessing the majority of the total number of votes in the governing bodies of these entities. While assessing whether the Group controls a given entity, the existence and the influence of potential voting rights that in the given moment may be exercised or changed are taken into account.

Accounting recognition

In accordance with IFRS 3, the Company applies the purchase method of accounting for recognition of consolidation of business units.

Acquisition cost

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 by 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 by 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. SEGMENT REPORTING

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

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

Segmentation of presented performance results is particularly crucial in assessment of risks and returns on investments of an entity with a diversified operations profile or a 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 Company 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.
- others – real estate business running by Eurocash Detal sp. z o. o. and commercial business (franchising) running by Eurocash Franszyza sp. z o. o.

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

all amounts are denominated in Polish zlotys (unless provided otherwise)

NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2006 TO 31 DECEMBER 2006

NOTE NO 1
BUSINESS COMBINATION

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.

1. General information concerning the acquisition of OPE of Carment

Table no 1

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	**25 614 306**

2. The costs of the acquisition

Table no 2

ACQUISTION COST

	as of 16.08.2006
Cash	**24 700 000**
Direct acquistion costs	**914 306**
Costs of consulting services (legal, accounting, etc.)	548 945
Tax on civil law transactions	315 361
OPE of Carment valuation costs	50 000
	25 614 306

all amounts are denominated in Polish zlotys (unless provided otherwise)

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

Table no 3

NET ASSETS ACQUIRED

	Fair value 16.08.2006
Fixed assets (long-term)	**32 061 895**
Intangible fixed assets	581 620
Goodwill	-
Tangible fixed assets	31 480 275
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)	**45 335 564**
Inventories	15 862 732
Trade receivables	23 042 320
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	2 236 912
Short-term prepayments	-
Fixed assets classified as held for sale	-
Liabilities	**61 758 753**
Long-term liabilities	**33 331**
Long-term loans and credits	-
Other long-term financial liabilities	-
Other long-term liabilities	-
Deferred income tax provision	-
Provision for employee benefits	33 331
Other long-term provisions	-
Short-term liabilities	**61 725 421**
Short-term loans and credits	22 735 501
Other short-term financial liabilities	-
Trade liabilities	36 404 999
Current income tax liabilities	-
Other short-term liabilities	2 035 444
Short-term provisions	549 477
Liabilities due to fixed assets held for sale	-
Acquired net assets	**15 638 706**
Goodwill on acquisition	9 975 600
Acquisition cost	**25 614 306**

NOTE NO. 2.
SEGMENTS OF OPERATIONS – BUSINESS AND GEOGRAPHICAL

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 Company made a decision to distinguish the following business segments of the capital Group:

- 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.

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

In relation to the fact that the particular business segments are fully represented by the operations of Eurocash S.A. and KDWT S.A., it has been decided not to present the segment results separately in the unit financial statements of Eurocash S.A. As the traditional wholesale business segment differentiated by the Group is represented by the operations of Eurocash S.A., it should be deemed that the financial statements reflect the results achieved by this segment.
The results achieved by both business segments are presented in the consolidated financial statements.

all amounts are denominated in Polish zlotys (unless provided otherwise)

NOTE NO. 3.
INTANGIBLE FIXED ASSETS

Information about intangible fixed assets is presented in Table No. 4.

Table no 4

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	**Total**
Net carrying value as at 1 JANUARY 2005	**-**	**4 511 518**	**-**	**101 271 122**	**105 782 640**
Increase due to acquisition	-	124 865		1 343 741	**1 468 606**
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	**12 552 132**
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**
Increase due to acquisition	6 443 041	1 448 660	-	331 748	**8 223 449**
Decrease due to sale	-	-	-	(4 954)	**(4 954)**
Increase or decrease due to revaluation	-	-	-	-	**-**
Advances	-	-	-	-	**-**
Impairment loss	-	-	-	-	**-**
Write-off reversal	-	-	-	-	**-**
Amortisation	-	(2 069 926)	-	(7 821 566)	**(9 891 491)**
Exchange gain/loss	-	-	-	-	**-**
Other changes	3 532 559	349 823	-	-	**3 882 381**
Net carrying value as at 31 DECEMBER 2006	**9 975 600**	**2 699 634**	**-**	**100 353 210**	**113 028 444**

all amounts are denominated in Polish zlotys (unless provided otherwise)

Table no 4

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	**Total**
As at 31 December 2005					
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	9 975 600	7 853 298	-	117 430 275	135 259 172
Total accumulated amortisation and write-offs	-	(5 153 664)	-	(17 077 064)	(22 230 729)
Net carrying value	**9 975 600**	**2 699 634**	**-**	**100 353 210**	**113 028 444**

all amounts are denominated in Polish zlotys (unless provided otherwise)

NOTE NO. 4.
TANGIBLE FIXED ASSETS

Information about tangible fixed assets is presented in Table No. 5.

Table no 5

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	-	-	-	-	-	**-**
Increase due to acquisition	22 525 354	3 760 286	1 327 304	3 036 870	21 708 195	**52 358 009**
Increase due to lease	12 343 223	939 320	1 069 753	-	-	**14 352 296**
Decrease due to sale	(17 977 965)	(518 243)	(14 461)	(35 020)	-	**(18 545 689)**
Decrease due to liquidation	(1 463 104)	(168 460)	(41 204)	(277 224)	(60 000)	**(2 009 992)**
Assets held for sale	-	-	-	-	-	**-**
Increase or decrease due to revaluation	-	-	-	-	-	**-**
Impairment loss	-	-	-	-	-	**-**
Write-off reversal	-	-	-	-	-	**-**
Depreciation	(4 849 373)	(4 882 582)	(2 646 797)	(5 748 130)	-	**(18 126 883)**
Exchange gain/loss	-	-	-	-	-	**-**
Other changes	16 388 391	1 614 086	35 636	2 144 772	(22 381 192)	**(2 198 307)**
Net carrying value as at 31 December 2006	**59 218 428**	**13 535 536**	**8 736 919**	**10 616 167**	**1 455 263**	**93 562 313**

all amounts are denominated in Polish zlotys (unless provided otherwise)

Table no 5

INTANGIBLE 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 31 December 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	75 201 853	29 946 255	15 028 615	29 298 292	1 455 263	150 930 279
Total accumulated amortisation and write-offs	(15 983 425)	(16 410 719)	(6 291 696)	(18 682 125)	-	(57 367 966)
Net carrying value	**59 218 428**	**13 535 536**	**8 736 919**	**10 616 167**	**1 455 263**	**93 562 313**

The Company made no impairment loss on tangible fixed assets.

NOTE NO. 5.
ANALYSIS OF RATIONALES INDICATING POSSIBILITY OF IMPAIREMENT OF VALUE OF ASSETS

Pursuant to IAS no 36, as at the balance-sheet date the Company 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 Company 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 Company'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 Company 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. 6.
INVESTMENT REAL ESTATE

The Company has no investment real estate as at the balance-sheet date.

NOTE NO. 7.
INVESTMENTS IN SUBSIDIARY COMPANIES

Information about long-term receivables is presented in Table No. 6.

all amounts are denominated in Polish zlotys (unless provided otherwise)

Table no 6

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%	full
Eurocash Franszyza sp. z o.o.	Wiśniowa 11, Komorniki	100%	100%	full

all amounts are denominated in Polish zlotys (unless provided otherwise)

NOTE NO. 8.
PARTICIPATION IN JOINT VENTURES

The Company participated in no joint ventures.

NOTE NO. 9.
FINANCIAL ASSETS

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

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

NOTE NO. 10.
LONG-TERM RECEIVABLES

Information about long-term receivables is presented in Table No. 7.

Table no 7

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. 11.
INVENTORIES

Information about stocks is presented in Tables No. 8 and 9.

Table no 8

INVENTORIES STRUCTURE AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
Traded goods	152 630 159	113 581 580
Materials	197 478	146 259
Advances for deliveries	4 126 974	6 532 713
Total stocks, including:	**156 954 611**	**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 9

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	1 720 857 245	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	2 213 914	2 685 748

all amounts are denominated in Polish zlotys (unless provided otherwise)

NOTE NO. 12.
CONSTRUCTION AGREEMENTS

The Company concluded no construction agreements.

NOTE NO. 13.
TRADE RECEIVABLES AND OTHER RECEIVABLES

Information about trade receivables and other receivables is presented in Table No. 10.

Table no 10

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
Trade receivables	**92 539 162**	**36 889 803**
Credit sales	55 738 041	10 256 752
Additional revenues	38 294 375	26 144 302
ABC marketing fees	720 927	819 700
Other trade receivables	986 314	655 277
Allowance for trade bad debts	(3 200 495)	(986 228)
Other receivables	**13 979 260**	**2 706 467**
Settlement of VAT	5 829 457	232 529
Receivables due to employees	189 133	169 437
Receivables due to insurance	14 282	1 951 933
Other receivables	8 802 350	627 374
Allowance for other bad debts	(855 962)	(274 806)
Total receivables, including:	**106 518 422**	**39 596 270**
- long-term	-	-
- short-term	106 518 422	39 596 270

NOTE NO. 14.
GIVEN LOANS

Information about given loans is presented in Table No. 11.

Table no 11

FINANCIAL ASSETS AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
asset	-	-
Financial assets available for sale	**-**	**-**
asset	-	-
Financial asset held for sale	**-**	**-**
Given loan to subsidiary	15 950 000	-
Other short-term financial assets	**15 950 000**	**-**

all amounts are denominated in Polish zlotys (unless provided otherwise)

NOTE NO. 15.
SHORT-TERM PREPAYMENTS

Table no 12

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	21 591	24 983
Other prepayments	537 386	506 071
	2 184 565	**2 432 762**

NOTE NO. 16.
EQUITY

Information about equity is presented in Tables No. 13 and 14.

Table no 13

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 14

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**

Shareholders structure holds more than 5% in total number of votes.

all amounts are denominated in Polish zlotys (unless provided otherwise)

	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%

NOTE NO. 17.
OTHER CAPITAL

Information about other capital is presented in Table No. 15.

Table no 15

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**

NOTE NO. 18.
OPTIONS FOR SHARES

Information about options for own shares is presented in Table No. 16.

all amounts are denominated in Polish zlotys (unless provided otherwise)

Table no 16

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 start to depreciate this Incentive Scheme on 1 January of 2007 year.
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.
Total cost of Incentive Scheme is amounted on 974.161PLN, in 2006 year cost was 108.240PLN. The rest will be depreciate for three years, until August of 2008 year.

all amounts are denominated in Polish zlotys (unless provided otherwise)

NOTE NO. 19.
PROVISIONS

Information about provisions is presented in Tables No. 17 and 18.

Table no 17

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 in provisions	(694 307)	-	(206 601)	-	-
Decrease in provisions	-	-	-	18 176	354 827
Provisions as at 31 December 2006, including:	**(2 506 960)**	**(2 000 000)**	**(861 603)**	**(338 577)**	**(170 944)**
- short-term	(2 506 960)	(2 000 000)	(861 603)	-	(170 944)
- long-term				(338 577)	

all amounts are denominated in Polish zlotys (unless provided otherwise)

Table no 17

PROVISIONS IN THE PERIOD FROM 1 JANUARY TO 31december 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)	-	(835 725)	**(1 730 874)**
Decrease in provisions	-	-	48 680	216 114	**1 364 611**
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 in provisions	-	-	-	(1 714 936)	**(2 615 844)**
Decrease in provisions	92 000	177 479	148 118	2 416 352	**3 206 952**
Provisions as at 31 December 2006, including:	**(308 000)**	**(222 597)**	**(61 758)**	**(3 889 975)**	**(10 360 414)**
- short-term	(308 000)	(222 597)	(61 758)	(3 889 975)	**(10 021 837)**
- long-term	**-**	**-**	**-**	**-**	**(338 577)**

all amounts are denominated in Polish zlotys (unless provided otherwise)

Table no 18

PROVISIONS AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
Provision for unused paid leaves	(2 506 960)	(1 812 653)
Provision for bonuses	(2 000 000)	(2 000 000)
Provision for non-trading costs	(1 638 975)	(344 971)
Provision for agency depot commissions	(861 603)	(655 002)
Provision for restructuring	(821 661)	(2 386 950)
Provision for severant payment	(338 577)	(356 753)
Provision for costs of transport	(308 000)	(400 000)
Provision for media	(222 597)	(400 075)
Provision for rents	(170 944)	(525 772)
Provision for costs of advertising	(139 619)	(425 000)
Provision for costs of advisory and audit services	(79 133)	(229 090)
Provision for postal and telecommunication costs	(61 758)	(209 876)
Provision for costs of monitoring and security	(20 718)	(181 160)
Other provisions	(1 189 869)	(1 024 220)
	(10 360 414)	**(10 951 522)**

all amounts are denominated in Polish zlotys (unless provided otherwise)

NOTE NO. 20.
TRADE LIABILITIES AND OTHER LIABILITIES

Information about trade liabilities and other liabilities is presented in Table No. 19.

Table no 19

TRADE LIABILITIES AND OTHER LIABILITIES AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
Trade liabilities	**329 365 403**	**236 854 087**
Supplies of traded goods	320 893 781	231 456 865
Services	8 471 621	5 397 222
Other liabilities	**40 097 314**	**18 386 714**
Financial lease	15 270 653	6 056 630
Fixed assets	4 471 627	940 478
Current corporate income tax	3 537 007	4 188 247
Social insurance	1 842 948	1 279 564
Tax, customs, insurances and other liabilities	670 797	578 711
Settlement of VAT	629 347	2 083 926
Payroll	128 033	1 721 505
Other liabilities	13 546 903	1 537 653
Total liabilities, including:	**369 462 717**	**255 240 801**
- long-term	15 234 893	4 313 378
- short-term	354 227 824	250 927 423

NOTE NO. 21.
LOANS AND CREDITS

Information about credits is presented in Table No. 20.

Table no 20

LOANS AND CREDITS AS AT 30 JUNE 2005

	Liability amount	Interest rate	Costs
Credits in account (debit)	**14 355 781**		**234 703**
BRE bank	14 355 781	4,50%	234 703
Loans	**-**		**-**
Loan 1	-	0%	-
Total loans and credits	**14 355 781**		**234 703**

NOTE NO. 22.
CONTINGENT LEASE PAYMENTS

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

all amounts are denominated in Polish zlotys (unless provided otherwise)

NOTE NO. 23.
OTHER FINANCIAL LIABILITIES

Information about other financial liabilities is presented in Table No. 21

Table no 21

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 denominated in Polish zlotys (unless provided otherwise)

NOTE NO. 24.
LEASE

Specification of leased objects is presented in Table No. 22.

Table no 22

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	-	-	476 000	-	476 000
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	-	-	36 648	-	36 648
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	-	-	1 949 581	-	1 949 581
Leasing forlifts, agreement Linde Material Handling Polska Sp. z.o. LTR+FSA 05/20852/JP Aneks no 3	-	-	228 249	-	228 249
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
Gross carrying value of leased objects	**12 343 223**	**5 209 274**	**4 618 049**	**-**	**22 170 546**

all amounts are denominated in Polish zlotys (unless provided otherwise)

Detailed specification of lease agreements is presented in Table No. 23.

Table no 23

LEASE AGREEMENTS AS AT 31 DECEMBER 2006

							Value of liabilities as at 31 December 2006		
No.	Financing party	Agreement No.	Initial value	Initial value (currency)	Currency	Agreement completion term	Total	Short-term	Long-term
1	Nivette Fleet Management	21/2003	476 000	-	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/00007/2005	67 188	-	PLN	04.2008	27 104	18 175	8 929
4	WBK Leasing S.A. Poznań	ZA/00011/2005	152 870	-	PLN	04.2008	62 887	42 800	20 087
5	WBK Leasing S.A. Poznań	ZA/00017/2005	50 957	-	PLN	06.2008	22 563	13 120	9 443
6	WBK Leasing S.A. Poznań	ZA/00014/2005	152 870	-	PLN	05.2008	66 600	42 407	24 193
7	WBK Leasing S.A. Poznań	ZA/00032/2005	167 869	-	PLN	06.2008	79 173	45 405	33 768
8	WBK Leasing S.A. Poznań	ZA/00031/2005	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	36 648	-	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 denominated in Polish zlotys (unless provided otherwise)

Table no 23

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	1 949 581	-	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	228 249	-	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		21 244		PLN	06.2007	13 485	13 485	-
			22 170 546	**-**			**15 270 649**	**2 535 757**	**12 734 892**

all amounts are denominated in Polish zlotys (unless provided otherwise)

Table no 24

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	9 862 187	3 120 326	2 691 952
Payable in the period of over 5 years	7 153 301	2 738 673	-	-
Total future minimum fees due to financial lease agreements	**19 926 789**	**15 270 653**	**5 276 163**	**4 443 540**
Financial costs	4 656 136	X	832 623	X
Current value of minimum fees under financial lease agreements	**15 270 653**	**15 270 653**	**4 443 540**	**4 443 540**

all amounts are denominated in Polish zlotys (unless provided otherwise)

OPERATING LEASE

Pursuant to IAS no 17 the Company 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 25.

Table no 25

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	15 534 397	17 131 053
Payable in the period from 1 year to 5 years	58 899 108	59 620 237
Payable in the period of over 5 years	18 865 339	25 445 659
Total future minimum fees due to operating lease agreements	**93 298 844**	**102 196 948**

NOTE NO. 25.
INCOME TAX

Specification of income tax for the reporting period is presented in Table No. 26 and 27.

all amounts are denominated in Polish zlotys (unless provided otherwise)

Table no 26

INCOME TAX FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2005 (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	**(8 377 075)**	**(8 882 048)**
Current income tax burden	(8 377 075)	(8 882 048)
Adjustment of prior years on current income tax	-	-
Deferred income tax	**(2 224 013)**	**(234 996)**
Due to creation and reversal of temporary differences	(2 224 013)	(234 996)
Due to income tax rate reduction	-	-
Tax burden recorded in profit and loss account	**(10 601 088)**	**(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	-	-

all amounts are denominated in Polish zlotys (unless provided otherwise)

Table no 27

ESTABLISH INCOME TAX BURDEN 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
Gross profit	**46 480 343**	**41 683 192**
Tax calculated on tax base 19%	8 831 265	7 919 806
Tax influence from permanent differences between gross profit and tax base	1 444 405	677 553
Negative passing differences and tax losses, in connection which the deferred income tax provision was no recognized	-	-
Others	325 440	519 684
Tax burden shown in profit and losses	**10 601 110**	**9 117 043**
Effective tax rate	22,81%	21,87%

all amounts are denominated in Polish zlotys (unless provided otherwise)

NOTE NO. 26.
DEFERRED INCOME TAX

Deferred income tax is presented in Table No. 28.

Table no 28

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				
- difference between tax and accounting depreciation and amortization	4 979 520	2 874 992	2 104 528	1 576 433
- future revenues	1 210 258	1 359 089	(148 830)	(214 152)
- lease liabilities	475 415		475 415	
- unrealized exchange rates	-	25 559	(25 559)	25 559
- correction of write-offs of inventories	-	-	-	(77 247)
- correction of allowance for trade bad debts	-	-	-	(35 783)
Gross deferred income tax provision	**6 665 194**	**4 259 640**	**2 405 554**	**1 274 810**

all amounts are denominated in Polish zlotys (unless provided otherwise)

Table no 28

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	1 745 105	1 287 395	(457 710)	(30 382)
- revaluation write-off on inventories	783 617	789 270	5 652	(17 521)
- allowance for bad debts	693 438	237 536	(455 902)	(95 868)
- provision for paid leaves	476 322	344 404	(131 918)	18 965
- provision for bonuses	380 000	380 000	-	190 000
- unpaid payable payroll	186 777	566 077	379 300	(566 077)
- provision for agency depot commissions	163 705	124 450	(39 254)	(81 067)
- provision for costs of transport	58 520	76 000	17 480	(35 720)
- provision for costs of media	42 293	76 014	33 721	(27 017)
- unrealized exchange rates	28 140		(28 140)	
- provision for postal and telecommunication costs	11 734	39 876	28 142	9 249
- interests concern lease	9 740	-	(9 740)	-
- other provisions	965 222	1 442 071	476 849	(343 538)
- valuation of executive options	-	-	-	(60 839)
- deferred income tax assets	**5 544 615**	**5 363 095**	**(181 521)**	**(1 039 814)**
Deferred income tax burden			**2 224 034**	**234 996**
Net deferred income tax provision	**1 120 579**	**-**	**X**	**X**
Net deferred income tax assets	**-**	**1 103 455**	**X**	**X**

all amounts are denominated in Polish zlotys (unless provided otherwise)

NOTE NO. 27.
OTHER LONG-TERM PREPAYMENTS

Other long-term prepayments are presented in Table No. 29.

Table no 29

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. 30.

Table no 30

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	1 927 011 632	1 640 908 755
Provision of services	51 436 807	46 228 261
Total net sales	**1 978 448 439**	**1 687 137 016**

NOTE NO. 29.
COSTS BY NATURE

Costs by nature are presented in Table No. 31.

all amounts are denominated in Polish zlotys (unless provided otherwise)

Table no 31

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	28 018 374	25 544 446
Materials and power	11 960 998	10 812 719
Third party services	79 402 001	71 235 099
Fees and taxes	3 416 592	2 441 498
Payroll	57 363 705	49 931 389
Social insurance and other benefits	11 716 939	10 241 350
Other costs by nature	15 033 283	9 090 232
Costs by nature	**206 911 893**	**179 296 733**
including:		
Costs of sales	140 272 005	124 402 701
Costs of general management	66 639 888	54 894 032

NOTE NO. 30.
OTHER OPERATING REVENUES AND COSTS

Other operating revenues and costs are presented in Table No. 32.

Table no 32

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	**6 731 963**	**4 707 550**
Other sales	1 715 439	1 264 413
Sub-lease of premises	883 922	704 061
Compensation received	520 150	236 930
Other operating revenues	3 612 451	2 502 147
Other operating costs	**(11 387 704)**	**(11 240 638)**
Inventory shortages	(3 794 950)	(3 573 152)
Allowances for receivables	(2 407 120)	(169 164)
Write offs of inventories	(2 184 164)	(620 398)
Liquidation of damaged and expired goods	(2 372 706)	(2 237 105)
Compensation paid	(166 369)	(74 592)
Other operating costs	(462 395)	(4 566 227)
Net other operating revenues (costs)	**(4 655 740)**	**(6 533 087)**

NOTE NO. 31.
FINANCIAL REVENUES AND COSTS

Financial revenues and costs are presented in Table No. 33.

all amounts are denominated in Polish zlotys (unless provided otherwise)

Table no 33

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	**4 463 618**	**2 522 607**
Gains on shares sale	1 343 400	-
Interest	1 005 830	2 027 451
Exchange gains	(149 268)	233 532
Other financial revenues	2 263 656	261 624
Financial costs	**(4 006 836)**	**(5 491 153)**
Interest	(2 803 638)	(4 153 169)
Bank fees	(746 936)	(867 729)
Exchange losses	(175 506)	(77 845)
Other financial costs	(280 756)	(392 409)
Net financial revenues (costs)	**456 782**	**(2 968 546)**

(Net) exchange gains (losses) are presented in Table No. 34.

Table no 34

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 Company 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. 35.

all amounts are denominated in Polish zlotys (unless provided otherwise)

Table no 35

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	35 879 233	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	35 879 233	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	7 754 774	6 387 100
Weighted average number of ordinary shares (for the needs of calculating diluted earnings per share)	134 934 158	134 129 100
Continued operations		
Net earnings of a given year to be distributed among shareholders	35 879 233	32 566 149
Exclusion of loss on discontinued operations	-	-
Net earnings on continued operations, upon excluding the result on discontinued operations	35 879 233	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	**35 879 233**	**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 90/365 days) + (134,959,100 X 153)/365 days) + (135.946.774 X 122/153)=134.934.158

Year 2005

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

all amounts are denominated in Polish zlotys (unless provided otherwise)

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.

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 36

BOOK VALUE PER SHARE AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
Book value	193 339 419	175 749 434
Number of shares	127 742 000	127 742 000
Diluted number of shares	134 934 158	134 129 100
Book value per share	1,51	1,38
Diluted book value per share	1,43	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.

all amounts are denominated in Polish zlotys (unless provided otherwise)

NOTE NO. 36.
INFORMATION ABOUT RELATED COMPANIES

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

FOR THE COMPANY	IN COMPANY EUROCASH

Trade receivables

EUROCASH	
KDWT	2 694 426
EUROCASH FRANSZYZA	
EUROCASH DETAL	
	2 694 426

Other receivables

EUROCASH	
KDWT	881 495
EUROCASH FRANSZYZA	51 996
EUROCASH DETAL	45 306
	970 465

Trade liabilities

EUROCASH	
KDWT	1 050 883
EUROCASH FRANSZYZA	-
EUROCASH DETAL	-
	1 050 883

Other trade liabilities

EUROCASH	2 112
KDWT	111 609
EUROCASH FRANSZYZA	830 498
EUROCASH DETAL	-
	944 219

Net sales of traded goods

EUROCASH	
KDWT	19 229 583
EUROCASH FRANSZYZA	-
EUROCASH DETAL	-
	19 229 583

Net sales of services

EUROCASH	
KDWT	709 401
EUROCASH FRANSZYZA	76 491
EUROCASH DETAL	38 244
	824 136

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.

all amounts are denominated in Polish zlotys (unless provided otherwise)

Table no 37

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	101 050	-	101 050
Eduardo Aguinaga de Moraes	48 329	-	48 329
Ryszard Wojnowski	48 329	-	48 329
Janusz Lisowski	48 329	-	48 329
Geoffrey Francis Eric Crossley	8 575	-	8 575
Antonio Jose Santos Silva Casanova	39 754	-	39 754
	294 366	**-**	**294 366**

Table no 37

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	168 000	-	168 000
Mieczysław Kuśnierczak	150 000	-	150 000
	318 000	**-**	**318 000**
Remuneration of Supervisory Board memebrs			
Małgorzata Piątkiewicz	47 811	4 819	52 631
Wojciech Budziński	23 753	1 342	25 095
	71 564	**6 162**	**77 726**

Table no 37

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			
Pedro Martinho	27 619	-	27 619
Katarzyna Kopaczewska	19 333	-	19 333
Michał Bartkowiak	19 333	-	19 333
	66 286	**-**	**66 286**

all amounts are denominated in Polish zlotys (unless provided otherwise)

Table no 37

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			
Pedro Martinho	27 619	-	27 619
Katarzyna Kopaczewska	19 333	-	19 333
Michał Bartkowiak	19 333	-	19 333
	66 286	**-**	**66 286**

NOTE NO. 37.
INFORMATION ABOUT THE HEADCOUNT

Information about the headcount as at 31 December 2006 is presented in Table No. 38.

Table no 38

HEADCOUNT AS AT 31 DECEMBER 2006

	as at 31.12.2006	as at 31.12.2005
Number of employees	2 076	1 594
Number of full-time jobs	2 005	1 492

Information about the structure of employment as at 31 December 2006 is presented in Table No. 39.

Table no 39

STRUCTURE OF EMPLOYMENT AS AT 31 DECEMBER 2006

	Depots and distribution centres	Head office	Total
Number of employees	1 884	192	**2 076**
Number of full-time jobs	1 815	190	**2 005**

Information about rotation of personnel as at 31 December 2006 is presented in Table No. 40.

Table no 40

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	990	688
Number of employees dismissed	(508)	(532)
	482	**156**

all amounts are denominated in Polish zlotys (unless provided otherwise)

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 6,058,109. Detailed specification is presented in Table No. 41.

Table no 41

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

Information about other contingents liabilities is presented in table no 42

Table no 42

CONTINGENT LIABILITIES OTHERS AS AT 31 DECEMBER 2006

No.	Guarantee for	Title	Currency	as at 31.12.2006	as at 31.12.2005
1	Eurocash Franszyza sp. z o.o.	guarantee for credit	EUR*	15 000 000	-
				15 000 000	**-**

NOTE NO. 39.
CASH FLOW AGREEMENT FOR EXCLUDINGS CONCERN SETTLEMENT OF OPC MERGER IN PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

all amounts are denominated in Polish zlotys (unless provided otherwise)

Table no 43

CASH FLOW AGREEMENT FOR EXCLUDINGS CONCERN SETTLEMENT OF OPC MERGER IN PERIOD FROM 1 JANUARY TO 31 DECEMBER 2006

	for the period od 01.01.2006 do 31.12.2006
Fair value of acquisited elements of OPE (correcting balance sheet changes as a non financial events)	
Intangible fixed assets	581 620
Goodwill	9 975 600
Tangible fixed assets	31 480 275
Inventories	15 862 732
Trade receivables	23 242 320
Short-term financial assets held for trade	3 993 600
Trade liabilities	(36 404 999)
Short-term loans and credits	(22 735 501)
Other short-term liabilities	(2 035 444)
Short-term provisions	(582 808)
Fair value assets and liabilities (less money taken)	**23 377 394**
Paid money on acquisition of OPE (shown for cash flow as an expenditures for purchased subsidary)	
Cost of merger (financial position)	25 614 306
Money taken correcting expenditure for acquisition	(2 236 912)
Expenditure for purchased subsidary	**23 377 394**
Non paid liabilities for taken subsidiary	(5 951 555)
Expenditures for purchased subsidary shown in cash flow	**17 425 839**

NOTE NO. 40.
ESSENTIAL EVENTS BEFORE-BALANCE SHEET

There were any essential events.

NOTE NO. 41.
POST BALANCE-SHEET EVENTS

1. On 05.02.2007, Eurocash guaranteed KDWT S.A.'s (hereinafter referred to as „KDWT") liabilities resulting from the loan facility granted KDWT S.A. by Bank Millennium Spółka Akcyjna in Warsaw (hereinafter referred to as the „Bank") in the amount of PLN 48,000,000 (forty eight million PLN) on the basis of a loan agreement no 40/DKS/03 dated 20.10.2003 for a PLN current account loan facility, as amended.

The aforementioned guarantee was granted for an amount of up to PLN 23,000,000, however, in the event of the joint fulfillment of the below listed conditions: a) KDWT will repay at least PLN 15,500,000 of its Loan Liability before 30 June 2007, and b) as at 1 July 2007, the amount of the KDWT's Loan Liability will amount not more than PLN 32,500,000 PLN, the amount of the guarantee shall be reduced to the amount of PLN 8,000,000.

The aforementioned guarantee was granted indefinitely. The remuneration for the guarantee granted equals 0.5% of the guaranteed amount for every commenced 3-month period of the validity of the guarantee.

2. Management Board of Eurocash S.A. (hereinafter referred to as the "Company" or "Eurocash") hereby informs that in line with the approved development strategy of Eurocash and the internal consolidation process of the companies within the capital group of Eurocash, a decision concerning the merger of the Company with its 100% subsidiary - KDWT S.A., with its seat in Komorniki, operating as a wholesale tobacco and impulse products distributor („KDWT") was undertaken. The merger will be executed pursuant to the provisions of art. 492 § 1.1 of the Commercial Companies Code through the transfer of all assets and liabilities of KDWT to the Company (merger by acquisition), without the increase of the Company's share capital, pursuant to art. 515 § 1 of the Commercial Companies Code.
The merger of Eurocash and KDWT is a part of the development strategy of Eurocash and its aim is to accelerate the growth and fuller use of the potentials of both companies. Moreover, the merger will allow for simplifying of the organizational structure and costs savings.

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.

all amounts are denominated in Polish zlotys (unless provided otherwise)

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 S.A.

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 S.A. for 2006

1.1 Eurocash S.A.: Key financial and operational highlights

Eurocash S.A. ("Eurocash") operations consisted in 2006 of:

- Sales of Fast Moving Consumer Goods (FMCG) through Eurocash Discount Cash&Carry stores
- 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
- 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	1 978,45	1 687,14	17,27%
Gross profit/(loss) on sales	257,59	230,48	11,76%
(Gross profitability on sales %)	13,02%	13,66%	-0,64%
EBITDA	74,04	70,21	5,46%
(EBITDA margin%)	3,74%	4,16%	-0,42%
EBIT	46,02	44,65	3,07%
(EBIT margin%)	2,33%	2,65%	-0,32%
Gross profit	46,48	41,68	11,51%
Net income	35,88	32,57	10,17%
Net profitability %	1,81%	1,93%	-0,12%

In 2006 Eurocash sales increased by 17.3% and amounted to PLN 1,978.5m. Because of acquisition of Delikatesy Centrum franchise network the 2006 results can not be directly compared with the results for 2005. Gross profit on sales of Eurocash S.A. amounted to 13.02%.

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

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).

1.2 Profit and loss account

Table 2 Eurocash sales analysis for 2006

PLN million	2006	2005	change 2006 / 2005
Sales revenues of Eurocash including	1 978,45	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	
Number of operating Discount Cash&Carry stores (eop)	96	94	2
Number of „Delikatesy Centrum" franchise stores (eop)	235	193	42

Table 3 Eurocash: costs analysis for 2006

PLN million	2006	2005	change 2006 / 2005
Gross profit/(loss) on sales	257,59	230,48	32,85%
(Gross profitability on sales %)	13,02%	13,66%	-4,20%
Costs of sales	(140,27)	(124,40)	36,10%
(as % of sales)	7,09%	7,37%	-2,14%
Costs of general management	(66,64)	(54,89)	40,32%
(as % of sales)	3,37%	3,25%	-0,87%
Profit/loss on sales	50,68	51,18	16,94%
(as % of sales)	2,56%	3,03%	-1,18%
Other operating income	6,73	4,71	73,70%
Other operating costs	(11,39)	(11,24)	14,02%
Operating profit – EBIT	46,02	44,65	23,66%
(EBIT margin %)	2,33%	2,65%	-0,94%
Depreciation	28,02	25,55	25,44%
EBITDA	74,04	70,21	24,31%
(EBITDA margin %)	3,74%	4,16%	-1,47%

It should be noted, that the 2006 Eurocash results do not include 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 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: Cash flow for 2006

PLN million	**2006**	**2005**
Operating cash flow	51,11	91,17
Gross profit (loss)	46,48	41,68
Depreciation	28,02	25,55
Change in working capital	(14,37)	26,89
Other	(9,02)	(2,96)
Cash flow from investments	(93,86)	(24,32)
Cash flow from financing activities	(31,21)	(1,73)
Total cash flow	(73,95)	65,13

Total cash flow in 2006 amounted to negative PLN 73.95 million. Main reason for this number was high amount of investments 93.86 (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: Working capital ratios flow for 2006

Turnover in days	**2006**	**2005**
1. Inventories turnover	29,0	26,0
2. Trade receivables turnover	17,1	8,0
3. Trade liabilities turnover	69,9	59,3
4. Operating cycle (1+2)	46,0	34,0
5. Cash conversion (4-3)	(23,8)	(25,4)

The negative cash conversion cycle enables Eurocash to release cash in line with growing sales.

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: Structure of assets

PLN million	31.12.20065	%	31.12.2005	%
Fixed assets (long-term)	**281,94**	**47,90%**	**180,61**	**40,87%**
Goodwill	9,98	1,69%	-	-
Intangible fixed assets	103,05	17,51%	110,80	24,74%
Tangible fixed assets	93,56	15,89%	67,70	15,32%
Investments in subsidiary companies	73,41	12,47%		
Long-term receivables	1,59	0,27%	0,54	0,12%
Long-term prepayments	0,35	0,06%	1,49	0,34%
Current assets (short-term)	**306,70**	**52,10%**	**261,33**	**59,13%**
Inventories	156,95	26,66%	120,26	27,21%
Trade receivables	92,54	15,72%	36,89	8,35%
Other short-term receivables	13,98	2,37%	2,71	0,61%
Other short-term financial assets	15,95	2,71%		
Cash and cash equivalents	25,09	4,26%	99,04	22,41%
Short-term prepayments	2,18	0,37%	2,43	0,55%
Total assets	**588,64**	**100%**	**441,94**	**100,00%**

Table 7 Eurocash: Structure of liabilities

PLN million	31.12.2006	%	31.12.2005	%
Total Equity	**193,34**	**32,85%**	**175,75**	**39,77%**
Long-term liabilities	**16,69**	**2,84**	**4,67**	**1,06%**
Long-term loans and credits			-	-
Other long-term financial liabilities	12,73	2,16%	4,31	0,98%
Other long-term liabilities	2,50	0,42%	-	-
Deferred income tax provision	1,12	0,19%	-	-
Provision for employee benefits	0,34	0,06%	0,36	0,08%
Other long-term provisions	-	-	-	-
Short-term liabilities	**378,61**	**64,32%**	**261,52**	**59,18%**
Short-term loans and credits	14,36	2,44%	-	-
Other short-term financial liabilities	2,54	0,43%	1,74	0,39%
Trade liabilities	329,37	55,95%	236,85	53,59%
Current income tax liabilities	3,54	0,60%	4,19	0,95%
Other short-term liabilities	18,79	3,19%	8,14	1,84%
Short-term provisions	10,02	1,70%	10,59	2,40%
Liabilities and provisions	**395,30**	**67,15%**	**266,19**	**60,23%**
Total liabilities and equity	**588,64**	**100%**	**441,94**	**100,00%**

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.

1.6 Evaluation of financial resources management

Due to the negative working capital, the Eurocash 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 companies to pay its liabilities. The main financial risk factors related to Eurocash operations are as follows:

Liquidity risk

Eurocash policy assumes maintaining sufficient cash to service the current payments. Surpluses are deposited in bank deposits.

Currency risk

Eurocash 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 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 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 development perspectives

2.1 Eurocash business overview

Eurocash together with KDWT forms of group of FMCG wholesale companies in Poland. The Eurocash 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 Discount Cash & Carry stores is realized to the retail shops 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 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.

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%**

Besides offering well-known brands, Eurocash 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 and its geographically diversified sales, its suppliers group is very large – app. 470. 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 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 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 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 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 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 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 business.

The structure of the traditional FMCG distribution channel. Competition

According to the estimates of the Eurocash, 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 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 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 25.61 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 did not entered into any significant agreements regarding taking or granting sureties for a credit, loans or guarantees.

In 2006 Eurocash 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.

In connection with established expansion strategy of Eurocash and internal consolidated process of Eurocash Group subsidiaries in March 2007 a decision about merger of Eurocash with KDWT was made. 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. Information on the plan of merger was published in current report no 5/2007 dated 23 March 2007.

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 Separate 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 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 separate 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 S.A. and of the results of its operations,
- the report of the Management Board on the business activities of Eurocash S.A. in 2006 contains a true views of the development, achievements and position of Eurocash S.A., 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 separate 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	Honest Intentions and No-Abuse of Rights 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	Court Control 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	Independent Opinions Ordered by the Company 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