



EUROCASH S.A.

CONSOLIDATED ANNUAL REPORT FOR 2007

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, 23rd April 2008

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Dear Shareholders,
Dear Employees,
Ladies and Gentlemen,

The smooth integration of KDWT and Delikatesy Centrum during 2007 was mainly due to the excellent cooperation between our "old" and "new" people, who showed how common objectives can really produce results quick.

I am very proud of the effects of this integration process and of the way in which our employees realized their tasks, as well as of the short period of time in which the business units of Eurocash Group needed to enter the accelerated growth path. As all of us know we will have no time to rest as the next new company in our Group is waiting for being integrated.

Acquisition of McLane Polska with sales of over PLN 1.0 billion is our next step into FMCG market leadership in Poland. McLane Polska is a main player in servicing restaurants and food chains (HoReCa) and in distribution of Impulse Products, two markets where we hope to become market leaders in short period of time. This acquisition also fits in our strategy of consolidation of the wholesale FMCG market by acquisitions of BEST IN CLASS operators.

We believe that the work we made during 2007 and acquisition of McLane Polska were of extreme importance to deliver our promise to all our stakeholders of becoming the REFERENCE WHOLESALER in Poland.

Once more 2008 will start full of challenges for the Eurocash Group but we are in demanding moments in Poland and we have to keep giving the right steps on the right moment. Once more I will ask for an extra effort and hope that once more at the year end everyone will feel that it was worthwhile.

Yours Sincerely,

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



Eurocash S.A. Group

Opinion and Report of the Independent Auditor Financial Year ended 31 December 2007

The opinion contains 2 pages
The report supplementing the auditor's opinion
contains 14 pages
Opinion of the independent auditor
and report supplementing the auditor's opinion
on the consolidated financial statements
for the financial year ended
31 December 2007

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Eurocash S.A.

We have audited the accompanying consolidated financial statements of Eurocash S.A. Group seated in Komorniki, Wiśniowa 11 street (“Group”), which comprise the consolidated balance sheet as at 31 December 2007, with total assets and total liabilities and equity of PLN 869.727.918, the consolidated profit and loss account for the year then ended with a net profit of PLN 58.880.826, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 34.361.250, the consolidated cash flow statement for the year then ended with an increase in cash amounting to PLN 90.214.564 and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes. The corresponding figures presented are based on the consolidated financial statements of the Group as of and for the year ended 31 December 2006, which were audited by another auditor who expressed an unqualified opinion on those financial statements on 25 April 2007.

Management’s Responsibility for the Financial Statements

Management of the parent entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and with other applicable regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) (“the Accounting Act”), the professional standards established by the Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

Opinion

In our opinion, the accompanying consolidated financial statements of Eurocash S.A. Group have been prepared and present fairly in all material respects the financial position of the Group as at 31 December 2007 and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Other Matters

As required under the Accounting Act we also report that the Report of the Management Board on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 October 2005 on current and periodic information provided by issuers of securities (Official Journal from 2005, No 209, item 1744) and the information is consistent with the consolidated financial statements.

Signed on the Polish original

.....
Certified Auditor No. 90095/7973
Wojciech Drzymała

Signed on the Polish original

.....
For KPMG Audyt Sp. z o.o.
ul. Chłodna 51; 00-867 Warsaw
Certified Auditor No. 90061/7541
Marek Gajdziński,
Member of the Management Board

Poznań, 23 April 2008



TRANSLATION

Eurocash S.A. Group

Report supplementing
the auditor's opinion
on the consolidated financial
statements

Financial Year ended
31 December 2007

The report supplementing the auditor's opinion
contains 14 pages

Report supplementing the auditor's opinion
on the consolidated financial statements
for the financial year ended
31 December 2007

*This document is a free translation of the Polish original. Terminology
current in Anglo-Saxon countries has been used where practicable for the
purposes of this translation in order to aid understanding. The binding
Polish original should be referred to in matters of interpretation*

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1 General

1.1 Identification of the Group

1.1.1 Name of the Group

Eurocash S.A. Group

1.1.2 Registered office of the Parent Company of the Group

Wiśniowa 11 street
62-052 Komorniki

1.1.3 Registration of the Parent Company in the National Court Register

Registration court: District Court in Poznań, XXI Commercial Department of the
National Court Register

Date: 30 July 2004

Registration number: KRS 0000213765

1.1.4 Registration of the Parent Company in the Tax Office and Statistical Office

NIP number: 7791906082

REGON: 631008941

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2007, the following companies were consolidated by the Group:

Parent Company:

- Eurocash S.A.

Subsidiaries consolidated on the full consolidation basis:

- KDWT S.A.,
- Eurocash Detal Sp. z o.o.,
- Eurocash Franszyza Sp. z o.o.

During 2007 there were no changes in the structure of Eurocash S.A. Group.

1.2.2 Entities excluded from consolidation

All entities of the Eurocash S.A. Group were subject to consolidation.

1.3 Auditor information

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

KPMG Audyt Sp. z o.o. is entered in the register of entities authorised to audit financial statements under number 458.

1.4 Legal status

1.4.1 Share capital

The Parent Company was established for an indefinite period under the terms of its Statute dated 7 July 2004.

The share capital of the Parent Company amounted to PLN 127.742.000 as at 31 December 2007 divided into 127.742.000 ordinary shares with a nominal value of PLN 1 each.

As at 31 December 2007, the shareholder structure of the Parent Company was as follows:

Name of the Shareholder	Number of shares	Voting rights (in %)	Book value of shares PLN'000	Percentage of share capital (in %)
Luis Manuel Conceicao Do Amaral (directly and indirectly)	70 258 100	55,0%	70 258,1	55,0%
ING Nationale-Niederlanden Polska OFE	6 843 714	5,4%	6 843,7	5,4%
Commercial Union PTE BPH CU WBK SA	6 586 001	5,2%	6 586,0	5,2%
Others	44 054 185	34,5%	44 054,2	34,5%
	127 742 000	100,0%	127 742,0	100,0%

1.4.2 Management of the Parent Company

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

At 31 December 2007, the Management Board of the Parent Company was comprised of the following members:

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

On 3 March 2008 Roman Stefan Piątkiewicz resigned from a position of a Member of the Board.

1.4.3 Scope of activities

The business activity listed in the Parent Company's Statute include mainly the wholesales trade.

The business activities of subsidiaries of the Group is connected with business activities of the Parent Company.

1.5 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2006 were audited by HLB Frąckowiak i Wspólnicy Sp. z o.o. and received an unqualified opinion.

The consolidated financial statements were approved at the General Meeting on 28 June 2007.

The closing balances as at 31 December 2006 have been properly recorded as the opening balances of the audited year.

The consolidated financial statements were submitted to the Registry Court on 11 July 2007 and were published in Monitor Polski B No. 2211 on 18 December 2007.

1.6 Audit scope and responsibilities

This report was prepared for the General Meeting of Eurocash S.A. seated in Komorniki, Wiśniowa 11 street and relates to the consolidated financial statements comprising: the consolidated balance sheet as at 31 December 2007, with total assets and total liabilities and equity of PLN 869.727,9 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 58.880,8 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 34.361,2 thousand, the consolidated cash flow statement for the year then ended with an increase in cash amounting to PLN 90.214,6 thousand, and the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

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

The consolidated financial statements have been audited in accordance with the contract dated 24 May 2007, concluded on the basis of the resolution of Supervisory Board dated 10 May 2007 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act, the professional standards established by the Polish National Council of Certified Auditors and International Standards on Auditing.

We audited the consolidated financial statements in the Parent Company's head office during the period from 26 November to 7 December 2007 and from 11 to 29 February 2008.

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

Our responsibility is to express an opinion, and to prepare a supplementing report, on the financial statements.

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

All our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

KPMG Audyt Sp. z o.o., the members of its Management Board and Supervisory Board and other persons involved in the audit of the consolidated financial statements fulfil independence requirements from the companies included in the Group. The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Sp. z o. o.

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

1.7.1 Parent Company

The financial statements of the Parent Company for the year ended 31 December 2007 were audited by KPMG Audyt Sp. z o.o., certified auditor number 458, and received an unqualified opinion.

1.7.2 Other consolidated entities

<u>Entity's name</u>	<u>Authorised auditor</u>	<u>Financial year end</u>	<u>Type of auditor's opinion</u>
KDWT S.A.	KPMG Audyt Sp. z o.o.	31 December 2007	unqualified
Eurocash Detal Sp. z o.o.	not required to audit	31 December 2007	not applicable
Eurocash Franszyza Sp. z o.o.	not required to audit	31 December 2007	not applicable

2 Financial analysis of the Group

2.1 Summary of the consolidated financial statements

2.1.1 Consolidated balance sheet

Assets	31.12.2007 zł '000	% of total	31.12.2006 zł '000	% of total
Fixed assets (long-term)	278 277,4	32,0	262 001,3	37,5
Goodwill	33 823,7	3,9	33 823,7	4,8
Other intangible fixed assets	121 508,1	14,0	117 191,2	16,8
Fixed assets	121 036,4	13,9	108 997,6	15,6
Investment property	-	-	52,0	0,1
Long-term receivables	1 872,3	0,2	1 588,3	0,2
Long-term prepayments	36,9	0,0	348,5	0,1
Current assets (short-term)	591 450,5	68,0	436 118,7	62,5
Inventories	224 861,2	25,9	209 544,9	30,0
Trade receivables	220 114,0	25,3	160 364,3	23,0
Current income tax receivables	9,9	0,0	-	-
Other short-term receivables	13 110,6	1,5	22 638,4	3,2
Cash and cash equivalents	131 461,2	15,1	41 246,6	5,9
Short-term prepayments	1 893,6	0,2	2 324,5	0,3
Total assets	869 727,9	100,0	698 120,0	100,0
Liabilities	31.12.2007 zł '000	% of total	31.12.2006 zł '000	% of total
Equity	233 393,8	26,8	199 032,6	28,5
Share capital	127 742,0	14,7	127 742,0	18,3
Reserve capital	47 111,0	5,4	29 059,2	4,2
Retained earnings	58 540,8	6,7	42 231,4	6,1
Profit/ (loss) of prior years	(340,0)	0,1	659,0	0,1
Net profit of the current year	58 880,8	6,8	41 572,4	6,0
Liabilities	636 334,1	73,2	499 087,5	71,5
Long-term liabilities	16 892,4	1,9	19 055,4	2,7
Other long-term financial liabilities	11 222,7	1,3	12 734,9	1,8
Other long-term liabilities	-	-	2 500,0	0,4
Deferred income tax provision	5 374,9	0,6	3 492,2	0,5
Provision for employee benefits	294,8	0,1	328,3	0,1
Short-term liabilities	619 441,7	71,2	480 032,1	68,8
Short-term loans and credits	73 148,4	8,4	73 502,6	10,5
Other short-term financial liabilities	2 520,6	0,3	2 535,8	0,4
Trade liabilities	505 350,1	58,1	371 191,2	53,2
Current income tax liabilities	3 134,2	0,4	3 537,0	0,5
Other short-term liabilities	15 974,1	1,8	18 623,0	2,7
Provision for employee benefits	11 246,3	1,3	5 242,2	0,8
Other short-term accruals	8 068,1	0,9	5 400,3	0,8
Total equity and liabilities	869 727,9	100,0	698 120,0	100,0

2.1.2 Consolidated profit and loss account

	1.01.2007 - % of total		1.01.2006 - % of total	
	31.12.2007	sales	31.12.2006	sales
<i>Continued operations</i>	zł '000		zł '000	
Net revenue	4 729 865,7	100,0	3 236 977,0	100,0
Net revenue of sold goods	4 638 343,9	98,1	3 167 298,4	97,9
Net revenue of services	91 521,8	1,9	69 678,6	2,2
Costs of sold goods	(4 306 162,9)	91,0	(2 930 782,2)	90,5
Costs of sold goods	(4 306 162,9)	91,0	(2 930 782,2)	90,5
Gross profit on sales	423 702,8	9,0	306 194,8	9,5
Distribution expenses	(225 440,9)	4,8	(169 313,7)	5,2
Administration expenses	(105 740,6)	2,2	(77 024,7)	2,4
Profit on sales	92 521,4	2,0	59 856,5	1,9
Other operating income	12 316,1	0,3	8 177,1	0,3
Other operating expenses	(18 058,4)	0,4	(12 816,3)	0,4
Operating profit	86 779,1	1,8	55 217,3	1,7
Financial income	1 776,4	0,1	4 963,6	0,2
Financial expenses	(13 523,7)	0,3	(6 049,6)	0,2
Profit before tax	75 031,8	1,6	54 131,2	1,7
Income tax expense	(16 151,0)	0,3	(12 558,8)	0,4
Net profit	58 880,8	1,2	41 572,4	1,3
Attributable to:				
Equity holders of the parent	58 880,8		41 572,4	
Minority interest	-		-	
Profit for the period	58 880,8		41 572,4	
Basic earnings per share (PLN)	0,46		0,33	
Diluted earnings per share (PLN)	0,43		0,31	
Basic earning per share of continuing operations (PLN)	0,46		0,33	
Diluted earnings per share of continuing operations (PLN)	0,43		0,31	

2.2 Selected financial ratios

	2007	2006
1. Return on sales		
<u>net profit x 100%</u> net revenues	1,2%	1,3%
2. Return on equity		
<u>net profit x 100%</u> equity - net profit	33,7%	26,4%
3. Debtors turnover		
<u>trade receivables (gross) x 365 days</u> net revenues	17 days	17 days
4. Debt ratio		
<u>liabilities x 100%</u> equity and liabilities	73,2%	71,5%
5. Current ratio		
<u>current assets</u> current liabilities	1,0	0,9

- Net revenues are comprised of the sale of finished products, merchandise and raw materials.
- Trade receivables (gross) represent the trade receivables at the end of the period, excluding allowances for receivables.

2.3 Interpretation of selected financial ratios

Return on sales and return on equity

Return on sales remained on the comparable level in comparison to the prior year.

Return on equity increased by 7,3 percentage points in comparison to the previous year, mainly due to the increase in net profit for 2007.

Debtors turnover

Debtors turnover remained unchanged in comparison to prior year and amounted to 17 days.



Debt ratio

Debt ratio increased by 1,7 percentage point in comparison to the prior year. The increase in ratio is a result of the increase in trade liabilities which is in line with the increase in the level of the operation of the Eurocash S.A. Group.

Current ratio

Current ratio amounted to 1,0 and increased insignificantly in comparison to 2006.

3 Detailed report

3.1 Accounting principles

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

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

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

The financial statements of the entities included in the consolidated financial statements were prepared at the same balance sheet date as the financial statements of the Parent Company.

3.2 Basis of preparation of the consolidated financial statements

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

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements of the Decree of the Ministry of Finance dated 12 December 2001 on principles for the preparation of financial statements of related entities by entities other than banks and insurance companies (Official Journal from 2001, No 152, item 1729).

3.3 Method of consolidation

The method of consolidation is described in note 2.25 of the notes to the consolidated financial statements.

3.4 Goodwill arising on consolidation

The method of calculating goodwill arising on consolidation is described in note 2.25 of the notes to the consolidated financial statements.

3.5 Consolidation of equity and calculation of minority interest

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

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

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

3.6 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

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

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

3.7 Notes to the consolidated financial statements

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

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

The Report of the Management Board of the Parent Company on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 October 2005 on current and periodic information provided by issuers of securities (Official Journal from 2005, No 209, item 1744) and the information is consistent with the consolidated financial statements.



3.9 Information on the opinion of the independent auditor

Based on our audit of the consolidated financial statements of the Group as at and for the year ended 31 December 2007, we have issued an unqualified opinion.

Signed on the Polish original

.....
Certified Auditor No. 90095/7973
Wojciech Drzymała

Signed on the Polish original

.....
For KPMG Audyt Sp. z o.o.
ul. Chłodna 51; 00-867 Warsaw
Certified Auditor No. 90061/7541
Marek Gajdziński,
Member of the Management Board

Poznań, 23 April 2008

EUROCASH S.A.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2007 TO 31 DECEMBER 2007

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, 23 April 2008

<i>Consolidated financial statements of EUROCASH Group</i>			
Financial statements period:	<i>01 January – 31 December 2007</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

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<i>Consolidated financial statements of EUROCASH Group</i>			
Financial statements period:	<i>01 January – 31 December 2007</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

GENERAL INFORMATION

1. INFORMATION OF THE PARENT COMPANY

1.1. PARENT COMPANY NAME

EUROCASH Spółka Akcyjna

1.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

1.3. CORE BUSINESS

Other wholesale (PKD 5190 Z)

1.4. REGISTRY COURT

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

1.5. DURATION OF THE CAPITAL GROUP

Indefinite

1.6. PERIOD COVERED BY THE ABBREVIATED FINANCIAL STATEMENTS

The reporting period 1 January 2007 – 31 December 2007 and comparable periods: 1
January 2006 – 31 December 2006

2. INFORMATION OF THE COMPANY'S SUBSIDIARIES

2.1. KDWT S.A.

2.1.1. COMPANY NAME

KDWT Spółka Akcyjna

2.1.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

2.1.3. CORE BUSINESS

Tobacco wholesale (PKD 5135Z)

2.1.4. SHARE CAPITAL

7.380.000,00 PLN

2.1.5. OWNERSHIP PERCENTAGE AS AT 31 DECEMBER 2007

100%

2.2. EUROCASH FRANSZYZA SP. Z O.O.

2.1.2. COMPANY NAME

EUROCASH FRANSZYZA Spółka z ograniczoną odpowiedzialnością

2.1.3. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

<i>Consolidated financial statements of EUROCASH Group</i>			
Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

2.1.4. CORE BUSINESS

Other commercial sale (PKD 7487Z)

2.1.5. SHARE CAPITAL

3.800.000,00 PLN

2.1.6. OWNERSHIP PERCENTAGE AS AT 31 DECEMBER 2007

100%

2.3. EUROCASH DETAL SP. Z O.O.

2.1.2. COMPANY NAME

EUROCASH DETAL Spółka z ograniczoną odpowiedzialnością

2.1.3. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

2.1.4. CORE BUSINESS

Properties self-lease (PKD 7020Z)

2.1.5. SHARE CAPITAL

8.600.000,00 PLN

2.1.6. OWNERSHIP PERCENTAGE AS AT 31 DECEMBER 2007

100%

3. AUTHORITIES OF THE COMPANY

3.1. MANAGEMENT BOARD OF DOMINANT UNIT

As at 31 December 2007 the Company's Management Board consisted of the following members:

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

3.2. MANAGEMENT BOARD OF SUBSIDIARIES

As at 31 December 2007 the Management Board of the Subsidiaries consisted of the following members:

KDWT S.A.:
Roman Piątkiewicz – President of the Management Board,
Mieczysław Kuśnierczak – Vice-president of the Management Board,
Araldo Guerreiro – Management Board Member.

<i>Consolidated financial statements of EUROCASH Group</i>			
Financial statements period:	<i>01 January – 31 December 2007</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

Eurocash Franszyza Sp. z o.o.:

Pedro Martinho – President of the Management Board,
Katarzyna Kopaczewska – Management Board Member,
Michał Bartkowiak – Management Board Member.

Eurocash Detal Sp. z o.o.:

Pedro Martinho – President of the Management Board,
Katarzyna Kopaczewska – Management Board Member,
Michał Bartkowiak – Management Board Member.

3.3. SUPERVISORY BOARD

As at 31 December 2007 the Company's Supervisory Board consisted of the following members:

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

3.4. SUPERVISORY BOARD OF SUBSIDIARIES

As at 31 December 2007 the Supervisory Board of the Subsidiaries consisted of the following members:

KDWT S.A.:

Luis Manuel Conceicao Do Amaral – President of the Supervisory Board,
Rui Amaral – Supervisory Board Member,
Pedro Martinho – Supervisory Board Member.

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

Effective March 3, 2008 Roman Stefan Piątkiewicz resigned from the position of Member of the Company's Management Board.

Effective March 3, 2008 Roman Stefan Piątkiewicz resigned from the position of President of the Management Board of KDWT S.A.

Effective March 3, 2008 Mieczysław Kuśnierczak resigned from the position of Vice-president of the Management Board of KDWT S.A.

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

Consolidated financial statements of EUROCASH Group			
Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED CONSOLIDATED FIGURES AS AT 31 DECEMBER 2007

	for the period 01.01.2007 to 31.12.2007 PLN	for the period 01.01.2006 to 31.12.2006 PLN	for the period 01.01.2007 to 31.12.2007 EUR	for the period 01.01.2006 to 31.12.2006 EUR
Net sales	4 729 865 701	3 236 977 047	1 250 327 976	830 185 696
Operating profit	86 779 094	55 217 269	22 939 833	14 161 542
Profit before tax	75 031 841	54 131 181	19 834 477	13 882 994
Net Profit on continued operations	58 880 826	41 572 392	15 564 997	10 662 048
Net profit	58 880 826	41 572 392	15 564 997	10 662 048
Net operating cash flow	185 267 290	34 994 133	48 974 937	8 974 926
Net investment cash flow	(61 799 640)	(68 492 886)	(16 336 578)	(17 566 332)
Net financial cash flow	(33 253 087)	(24 299 383)	(8 790 369)	(6 232 049)
Net change in cash and cash equivalents	90 214 564	(57 798 135)	23 847 991	(14 823 455)
Weighted average number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Weighted average diluted number of shares	136 314 810	134 959 987	136 314 810	134 959 987
EPS (in PLN / EUR)	0,46	0,33	0,12	0,08
Diluted EPS (in PLN / EUR)	0,43	0,31	0,11	0,08
Average PLN / EUR rate*			3,7829	3,8991
	as at 31.12.2007 PLN	as at 31.12.2006 PLN	as at 31.12.2007 EUR	as at 31.12.2006 EUR
Assets	869 727 918	781 700 234	242 805 114	204 035 350
Long-term liabilities	16 892 355	21 863 613	4 715 900	5 706 727
Short-term liabilities	619 441 735	548 251 426	172 931 808	143 101 750
Equity	233 393 828	211 585 195	65 157 406	55 226 873
Share capital	127 742 000	127 742 000	35 662 200	33 342 556
Number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Diluted number of shares	136 314 810	134 959 987	136 314 810	134 959 987
Book value per share (in PLN / EUR)	1,83	1,56	0,51	0,41
Diluted book value per share (in PLN / EUR)	1,71	1,47	0,48	0,38
Declared or paid dividend (in PLN / EUR)	29 380 660	20 438 720	8 202 306	5 334 809
Declared or paid dividend per share (in PLN / EUR)	0,23	0,16	0,06	0,04
PLN / EUR rate at the end of the period**			3,5820	3,8312

* Profit and loss items have been converted as a matter of arithmetic computation using the official mid-rates announced by the National Bank of Poland prevailing on the last day of each month.

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

<i>Consolidated financial statements of EUROCASH Group</i>			
Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

		for the period from 01.01.2007 Note to 31.12.2007	for the period from 01.01.2006 to 31.12.2006
Net sales		4 729 865 701	3 236 977 047
Net sales of traded goods	21	4 638 343 918	3 167 298 403
Net sales of services	21	91 521 783	69 678 644
Prime costs of sales		(4 306 162 859)	(2 930 782 226)
Costs of sold traded goods		(4 306 162 859)	(2 930 782 226)
Gross profit on sales		423 702 842	306 194 820
Costs of sales	22	(225 440 908)	(169 313 656)
Costs of general management	22	(105 740 568)	(77 024 673)
Profit on sales		92 521 366	59 856 492
Other operating revenues	23	12 316 079	8 177 086
Other operating costs	23	(18 058 351)	(12 816 309)
Operating profit		86 779 094	55 217 269
Financial revenues	24	1 776 410	4 963 554
Financial costs	24	(13 523 662)	(6 049 642)
Profit before tax		75 031 841	54 131 181
Income tax	18	(16 151 015)	(12 558 789)
Net profit		58 880 826	41 572 392

NET EARNINGS PER SHARE

		PLN / share	PLN / share
Net profit (loss) on continued operations		58 880 826	41 572 392
Weighted average number of shares		127 742 000	127 742 000
Weighted average diluted number of shares	25	136 314 810	134 959 987
from continued operations			
- basic		0,46	0,33
- diluted		0,43	0,31

Consolidated financial statements of EUROCASH Group			
Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	as at 31.12.2007	as at 31.12.2006
Assets			
Fixed assets (long-term)		278 277 414	262 001 298
Goodwill	3	33 823 699	33 823 699
Other intangible fixed assets	3	121 508 107	117 191 229
Tangible fixed assets	4	121 036 431	108 997 566
Investment real property		-	51 977
Long-term receivables	7	1 872 272	1 588 307
Long-term prepayments		36 905	348 521
Current assets (short-term)		591 450 504	436 118 658
Inventories	8	224 861 218	209 544 886
Trade receivables	9	220 113 990	160 364 271
Current income tax receivables		9 896	-
Other short-term receivables	9	13 110 637	22 638 411
Cash and cash equivalents		131 461 193	41 246 629
Short-term prepayments	10	1 893 571	2 324 460
Total assets		869 727 918	698 119 956

Consolidated financial statements of EUROCASH Group			
Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	as at 31.12.2007	as at 31.12.2006
<i>Liabilities</i>			
Equity		233 393 828	199 032 578
Share capital	11	127 742 000	127 742 000
Supplementary capital	12	47 111 013	29 059 203
Retained earnings		58 540 815	42 231 375
Profit (loss) of prior years		(340 011)	658 983
Net profit of the current period		58 880 826	41 572 392
Liabilities		636 334 090	499 087 378
Long-term liabilities		16 892 355	19 055 355
Other long-term financial liabilities	17	11 222 655	12 734 894
Other long-term liabilities		-	2 499 999
Deferred income tax provision	19	5 374 916	3 492 169
Provision for employee benefits	14	294 784	328 293
Short-term liabilities		619 441 735	480 032 023
Short-term loans and credits	16	73 148 384	73 502 624
Other short-term financial liabilities	17	2 520 587	2 535 759
Trade liabilities	15	505 350 072	371 191 217
Current income tax liabilities	18	3 134 237	3 537 007
Other short-term liabilities	15	15 974 076	18 622 973
Provision for employee benefits	14	11 246 255	5 242 133
Other short-term accruals	14	8 068 122	5 400 310
Liabilities due to fixed assets held for sale		869 727 918	698 119 956

BOOK VALUE PER SHARE AS AT 31 DECEMBER 2007

		as at 31.12.2007	as at 31.12.2006
Book value		233 393 828	199 032 578
Number of shares		127 742 000	127 742 000
Diluted number of shares		136 314 810	134 959 987
Book value per share	26	1,83	1,56
Diluted book value per share	26	1,71	1,47

OFF BALANCE SHEET ITEMS

Contingent Liabilities		4 705 235	6 058 109
Other companies		4 705 235	6 058 109
- guaranties and sureties granted	29	4 705 235	6 058 109
Total		4 705 235	6 058 109

<i>Consolidated financial statements of EUROCASH Group</i>			
Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007 (indirect method)

	for the period from 01.01.2007 to 31.12.2007	for the period from 01.01.2006 to 31.12.2006
<i>Operating cash flow</i>		
Net profit before tax	75 031 841	54 131 181
Adjustments:	48 254 912	38 148 966
Depreciation	35 685 520	32 055 635
(Profit) loss on sold tangible fixed assets	526 273	2 249 289
(Profit) loss on sold financial assets available for sale	-	(1 344 000)
Costs of interest	12 043 119	5 188 042
Operating cash before changes in working capital	123 286 754	92 280 147
Changes in inventory	(15 354 206)	(15 879 878)
Changes in receivables	(44 801 406)	(49 806 540)
Changes in liabilities	133 978 003	21 859 392
Changes in provisions and accruals	6 305 965	1 040 914
Other adjustments	4 861 084	2 466 541
Operating cash	208 276 193	51 960 576
Interest paid	(7 956 412)	(5 955 824)
Income tax paid	(15 052 491)	(11 010 618)
Net operating cash	185 267 290	34 994 133
<i>Investment cash flow</i>		
Expenditures for purchased intangible fixed assets	(15 188 842)	(3 071 317)
Receipts from sold intangible fixed assets	-	84 019
Expenditures for purchased tangible fixed assets	(49 007 660)	(29 723 079)
Receipts from sold tangible fixed assets	12 396 858	14 583 396
Expenditures for purchased financial assets designed for sales	-	600
Receipts from sold financial assets designed for sales	-	5 337 000
Expenditures for purchased subsidiary companies (less for money taken)	(9 999 996)	(55 703 504)
Net investment cash	(61 799 640)	(68 492 886)
<i>Financing cash flow</i>		
Receipts from issued shares	-	-
Receipts due to taking loans and credits	14 400 977	6 480 751
Repaid loans and credits	(14 755 217)	(8 379 720)
Repaid liabilities under financial lease	(2 532 905)	(1 569 444)
Interest	(985 282)	(392 250)
Dividends paid	(29 380 660)	(20 438 720)
Net financing cash	(33 253 087)	(24 299 383)
Net change in cash and cash equivalents	90 214 564	(57 798 135)
Cash and cash equivalents at the beginning of the period	41 246 629	99 044 764
Cash and cash equivalents at the end of the period	131 461 193	41 246 629

Consolidated financial statements of EUROCASH Group			
Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONSOLIDATED STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

	Share capital	Supplementary capital	Retained earnings	Total
<i>Changes in equity in the period from 1 January to 31 December 2006</i>				
Balance as at 1 January 2006	127 742 000	14 782 302	33 225 132	175 749 434
Net profit presented directly in equity	-	-	-	-
Net profit for the period from 1 January to 31 December 2006	-	-	41 572 392	41 572 392
Total profit and loss recorded in the period from 1 January to 31 December 2006	-	-	41 572 392	41 572 392
Dividends paid	-	-	(20 438 720)	(20 438 720)
Transfer to supplementary capital	-	12 127 429	(12 127 429)	-
Valuation of the Incentive Scheme for employees	-	2 149 472	-	2 149 472
Balance as at 31 December 2006	127 742 000	29 059 203	42 231 375	199 032 578
<i>Changes in equity in the period from 1 January to 31 December 2007</i>				
Balance as at 1 January 2007	127 742 000	29 059 203	42 231 375	199 032 578
Net profit presented directly in equity	-	-	-	-
Net profit for the period from 1 January to 31 December 2007	-	-	58 880 826	58 880 826
Total profit and loss recorded in the period from 1 January to 31 December 2007	-	-	58 880 826	58 880 826
Dividends paid	-	-	(29 380 660)	(29 380 660)
Transfer to supplementary capital	-	13 196 860	(13 196 860)	-
Valuation of the Incentive Scheme for employees	-	4 854 950	-	4 854 950
Other adjustments	-	-	6 134	6 134
Balance as at 31 December 2007	127 742 000	47 111 013	58 540 815	233 393 828

<i>Consolidated financial statements of EUROCASH Group</i>			
Financial statements period:	<i>01 January – 31 December 2007</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

**ADDITIONAL INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
FROM 01 JANUARY 2007 TO 31 DECEMBER 2007**

1. GENERAL INFORMATION

1.1. FINANCIAL STATEMENTS PUBLICATION

Consolidated financial statements of the Eurocash Group for the period from 1 January 2007 to 31 December 2007 were approved for publication by resolution of the Management Board of 23 April 2008.

In accordance with the report no 3/2008 of the Polish Securities and Exchange Commission, the consolidated financial statements of Eurocash S.A. will be published on 25 April 2008.

Eurocash S.A. is a joint-stock company whose shares are publicly traded.

1.2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union later referred to as "IFRS EU".

<i>Consolidated financial statements of EUROCASH Group</i>			
Financial statements period:	<i>01 January – 31 December 2007</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

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

Standards and Interpretations approved by the EU

Standards and Interpretations approved by the EU	Type of expected change in the accounting principles	Possible impact on financial statements	Effective date for periods commencing on the day or after
IFRIC 11 Group and treasury share transactions	<p>The interpretation requires that share-based payment arrangements in which an entity receives goods or services as consideration for its own equity instruments are to be accounted for as equity-settled. This applies regardless of whether the entity can choose or is required to buy those equity instruments in order to settle the share-based payment obligation.</p> <p>In addition, the interpretation provides guidance on whether share-based payment arrangements in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements.</p>	The Company is currently assessing the impact of the interpretation on the operations.	1 March 2007
IFRS 8 Operating segments	<p>This standard sets out the requirements for disclosure about the entity's operating segments on the basis of the components that are regularly reviewed by the chief operating decision makers.</p> <p>Operating segments are the entity's components for which separate information is available and that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.</p>	The Company is currently assessing the impact of IFRS 8 on the operations.	1 January 2009

Consolidated financial statements of EUROCASH Group			
Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Standards and Interpretations not yet endorsed by the EU

Standards and Interpretations not yet endorsed by the EU	Type of expected change in the accounting principles	Possible impact on financial statements	Effective date for periods commencing on the day or after
Revised IAS 23 <i>Borrowing Costs</i>	The revised IAS 23 requires the capitalisation of borrowing costs relating to assets that take a substantial period of time to get ready for use or sale.	The Company is currently assessing the impact of the revised standard on the operations.	1 January 2009
Revised IAS 1 <i>Presentation of Financial Statements</i>	The revised IAS 1 requires information in the financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. All items of income and expense as well as the components of comprehensive income may be presented either in a single statement of comprehensive income or in two statements (a separate income statement and statement of comprehensive income).	The Company is currently assessing whether to present a single statement of comprehensive income or two separate statements.	1 January 2009
IFRIC 12 <i>Service Concession Arrangements</i>	The interpretation provides guidance on the accounting (in terms of recognition and valuation) by operators in public-to-private service concessions arrangements.	The Company is currently assessing the impact of the interpretation on the operations.	1 January 2008
IFRIC 13 <i>Customer Loyalty Programmes</i>	The interpretation addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services to customers who redeem award credits. Such entities shall allocate some of the proceeds of the initial sale to the award credits as a liability. In effect, this part of sale is recognised only when the entities fulfill their obligations.	The Company does not expect the interpretation to have any impact on the financial statements.	1 July 2008

Consolidated financial statements of EUROCASH Group			
Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Standards and Interpretations not yet endorsed by the EU	Type of expected change in the accounting principles	Possible impact on financial statements	Effective date for periods commencing on the day or after
<p>IFRIC 14</p> <p><i>IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i></p>	<p>The interpretation provides general guidance on:</p> <p>1) when refunds or reductions in future contributions should be regarded as ‘available’ in accordance with paragraph 58 of IAS 19;</p> <p>2) how a minimum funding requirement (“MFR”) might affect the availability of reductions in future contributions;</p> <p>and</p> <p>3) when a MFR might give rise to a liability.</p> <p>No additional liability need be recognized by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company.</p>	<p>The Company is not active in countries that have a minimum funding requirements and where there are restrictions on a company’s ability to get refunds or reduce contributions.</p>	<p>1 January 2008</p>
<p>Revised IFRS 3</p> <p><i>Business Combinations</i></p>	<p>The scope of the IFRS 3 has been extended to cover business combinations that were out of scope of the before revision. The definition of a business has been amended slightly. The revised standard narrows down a range of contingent liabilities that the cost of a business combination can be allocated to. The acquisition-related costs are no longer a part of the costs of a business combination. The standard changes reporting rules of any corrections to a business combination costs that depends on future events. IFRS 3 also allows a choice to measure non-controlling interests at fair value.</p>	<p>The Company is currently assessing the impact of the revised standard on the Company’s operations.</p>	<p>1 July 2009</p>
<p>Revised IAS 27</p> <p><i>Consolidated and Separate Financial Statements</i></p>	<p>In relation to the above, the revised IAS 27 focuses mainly on:</p> <ul style="list-style-type: none"> - a change of non-controlling interests definition; - regulation of the accounting treatment of transactions with non-controlling interests (minority interests); - changes in accounting for loss of control of a subsidiary; - new disclosure requirements. 	<p>The Company is currently assessing the impact of the revised standard on the Company’s operations.</p>	<p>1 July 2009</p>

Consolidated financial statements of EUROCASH Group			
Financial statements period:	<i>01 January – 31 December 2007</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

Standards and Interpretations not yet endorsed by the EU	Type of expected change in the accounting principles	Possible impact on financial statements	Effective date for periods commencing on the day or after
Revised IFRS 2 <i>Share-based Payments</i>	The revised standard clarifies the definition of vesting conditions and the accounting treatment of cancellations by the counterparty to a share-based arrangement.	The Company is currently assessing the impact of the revised standard on the operations.	1 January 2009
Revised IAS 32 <i>Financial Instruments - Presentation</i> and IAS 1 <i>Presentation of Financial Statements</i>	Under the the revised IAS 32, the criteria for classification of puttable financial instruments have been amended to allow them to be presented as equity. As a result of the amendments, some financial instruments that currently meet the definition of a financial liability will be classified as equity because they represent the residual interest in the net assets of the entity. In addition, the amendments have detailed criteria for identifying such instruments with respect to the capital structure of the holder.	The amendments to both IAS 32 and IAS 1 are not applicable to the operations as the Company has not issued any puttable financial instruments.	1 January 2009

<i>Consolidated financial statements of EUROCASH Group</i>			
Financial statements period:	<i>01 January – 31 December 2007</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union later referred to as "IFRS EU".

The reporting currency of these consolidated financial statements is Polish zloty and any amounts are rounded-off to full Polish zloty (unless provided otherwise).

1.5. 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 consolidated financial statements.

1.6. INFORMATION ABOUT THE PARENT ENTITY AND THE CAPITAL GROUP

The Eurocash capital group consists of Eurocash S.A. and its subsidiary companies: KDWT S.A., Eurocash Franszyza Sp. z o.o. and Eurocash Detal Sp. z o.o.

The parent entity is Eurocash Spółka Akcyjna, registered in the District Court of Poznań, XXI Commercial Division of the National Court Register, entry no KRS 00000213765, with its registered seat in Komorniki, ul. Wiśniowa 11.

The core business of the Company is the other wholesale (PKD 5190 Z).

Eurocash S.A. shares are listed on the Warsaw Stock Exchange.

The subsidiary entities are:

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

The data presented in these consolidated financial statements embraces the results of the entities listed above.

Consolidated financial statements of EUROCASH Group			
Financial statements period:	<i>01 January – 31 December 2007</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

Entities comprising the Eurocash capital group covered by the consolidated financial statements as 31.12.2007

name of entity	Eurocash S.A.	KDWT S.A.	Eurocash Detal sp. z o.o.	Eurocash Franszyza sp. z o.o.
seat	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki
core business	PKD 5190Z	PKD 5135Z	PKD 7020Z	PKD 7487B
registry court	District Court of Poznań XXI Commercial Division of the National Court Register KRS 0000213765	District Court of Poznań XXI Commercial Division of the National Court Register KRS 0000040385	District Court of Poznań XXI Commercial Division of the National Court Register KRS 0000259826	District Court of Poznań XXI Commercial Division of the National Court Register KRS 0000259846
entity status	Parent entity	Subsidiary entity	Subsidiary entity	Subsidiary entity
applied consolidation method	Full	Full	Full	Full
date of taking over control	n/a	31.03.2006	10.07.2006	10.07.2006
share in share capital (%)	n/a	100%	100%	100%
share in total number of votes (%)	n/a	100%	100%	100%

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1.7. GOING CONCERN BASIS

The financial statements have been prepared on a going concern. 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 under the historic cost convention, except for the revaluation of financial assets (measured at fair value through profit and loss) and available-for-sale financial instruments.

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 the Group is a calendar year.

2.3. FORMAT AND CONTENT 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 consolidated financial statements comprise in particular:

- General information
- Consolidated profit and loss account
- Consolidated balance sheet
- Consolidated cash flow statement
- Consolidated statement on changes in equity
- Additional information
- Notes

2.4. INTANGIBLE FIXED ASSETS

Definition

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

Intangible fixed assets of the Group comprise:

- Goodwill,
- 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.

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Amortisation

Most intangible assets other than goodwill are amortised. 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 assets are charged directly to costs.

The Group 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”, “ABC” and “KDWT” trade marks is difficult to define / undefined, they are not amortised. The “Eurocash”, “ABC” and “KDWT” trade marks are subject to an annual impairment test.

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.

According to IAS 36 regarding intangible assets that have an indefinite useful life are subject to annual test for impairment by comparing its carrying amount with its recoverable amount no matter if there are any indicators that an impairment loss occurred.

Valuation of intangible fixed assets as at the balance sheet day

As at the balance sheet day intangible fixed assets should be valued at an acquisition price less amortisation charges and impairment losses.

2.5. TANGIBLE FIXED ASSETS

Definition

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

Tangible fixed assets of the Group comprise:

- Lands,
- Buildings and structures,
- Technical machinery and equipment,
- Means of transport,

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- 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 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.

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% |

Fixed assets are depreciated using the straight-line method, from a month following their acceptance for use. The depreciation is accrued monthly.

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.

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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.

Valuation of fixed assets as at the balance sheet day

Tangible assets are reported at acquisition or manufacturing cost less accumulated depreciation based on the estimated useful life of the asset and any impairment losses.

Construction 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.

2.6. 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.

2.7. 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 Group 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

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period (and it is highly probable that the Group 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.

2.8. 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.

2.9. 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 long-term receivables are valued at amount adjusted purchase price estimated according to efficiency interest rate less possible allowance for bad debts.

2.10. LONG-TERM PREPAYMENTS

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 analysis mentioned above is performed by the Group with respect to the objective premises and general knowledge about particular prepayments.

2.11. 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 Group 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 component (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);

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- 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.

2.12. INVENTORIES

Definition

Inventories of the Group 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

At the balance sheet day elements of inventories are valued according to purchase price or production costs and not higher than net value possible to gain. A purchase price or a cost of manufacture of other inventories is settled according to method First In - First Out (FIFO). Net value possible to gain is a difference between an estimated sale price in ordinary economic activity and an estimated finishing costs and necessary to complete a sale.

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.

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.

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2.13. FINANCIAL INSTRUMENTS

The Company classifies financial instruments in the following categories:

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

Subsequent measurement of financial assets depends upon their classification at initial recognition into any of the above categories that is mainly based on the purpose of purchase. At the balance sheet day all the components are re-assessed and re-classified if necessary.

Initially, the Company recognises financial instruments at fair value. In case of financial instruments not classified as the financial assets valued at fair value by financial outcome (d), the costs of transaction possible to be directly assigned are included in the initial value.

Due to the rights as well as financial risk involved expiration (or its transfer to the third party) the Company is allowed to eliminate the financial instruments from balance sheet.

The fair value of financial assets classified as trading assets is calculated on the basis of the published price quotations in the active market from the day before the balance sheet day.

If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Valuation techniques embrace a reference to the current fair value of another instrument that is quoted in an active market and substantially the same, discounted cash flow analysis or option pricing models applicable to any entity's specific circumstances.

Conceptually at each balance sheet date, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired and if so it should determine the amount of impairment loss and provide for the same.

(a) Held-to-maturity investments

This category is for fixed maturity 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, excluding the financial assets classified as financial assets held for trading, available-for-sale financial assets and loans and receivables.

Financial assets to be sold off in the 12 month period of the balance sheet date are recognized as current assets.

Held-to-maturity investments are measured at amortized cost using the effective interest method.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or possible to define payments that are not quoted in an active market. They arise when the Company provides money directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

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Trade receivables and other receivables are measured at amortized cost using the effective interest method, less allowance for bad debts. Valuation of the mentioned assets components takes under consideration time as well as payment probability.

(c) Available-for-sale financial assets

This category includes financial assets that are not derivative instruments, which were classified as available for sale or which are not (a) loans and receivables, (b) held-to-maturity investments or (d) financial assets valued at fair value through profit and loss. Assets in this category are classified as current if they are intended to be disposed within 12 months of the balance sheet date

Available-for-sale assets are measured at fair value excluding the investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

Gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If the fair value of available-for-sale financial assets increased due to subsequent events in a few periods after the impairment loss had been recognised, the cumulative impairment loss is reversed i.e. removed from equity and recognised in the income statement.

(d) Financial assets valued at fair value through profit and loss (held for trading)

This category has two subcategories: financial assets held for trading and those designated at fair value through profit or loss at inception.

Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

2.14. 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 are recognised initially at amount payable and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

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

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

According to IAS 21 receivables denominated in foreign currencies are valued at least as at the balance sheet day at the immediately exchange rate.

Exchange gains or 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 – 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.

2.15. 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 Group is based on rational premises and knowledge of particular prepayments.

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

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

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2.16. 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

At the balance sheet day long-term liabilities are valued at amortised acquisition cost using the effective interest rate.

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.

2.17. 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

At the balance sheet day short-term liabilities are valued at amortised acquisition cost using the effective interest rate.

Valuation as at the balance sheet day of short-term liabilities denominated in foreign currencies

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

Exchange gains or 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.

2.18. 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.

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2.19. PROVISIONS

Provisions are created when the Group 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.

2.20. NET SALES

Net sales are recorded 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 taxes relating to sales (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

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

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Dividend revenues

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

2.21. EMPLOYEE BENEFITS

In accordance with the provisions of the International Accounting Standards, the Group 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.

According to IAS 19 "Employee benefits" the provision for retirement severance payments was calculated by an independent actuary using the projected unit credit method. It represents the present value of the future obligation of the Company to make severance payments on its employees retirement with respect to the employee movements and other demographic indicators.

2.22. SHARE-BASED COMPENSATION

The Company uses a Black-Scholes model to determine the fair value of option grants. Key assumptions used in this valuation method are: share price on the date of calculation, closing stock price, the volatility of the Company's stock price (based on the weighted-average of the historical volatility in the Company's stock price adapted to the expected changes due to public available information), the expected life of our share-based instruments (based on the historical data and common behaviour of the option owners), the expected dividend yield and the risk free interest rates (bonds). The transaction conditions applying to provisions and performance results not related to market are not considered in the valuation.

2.23. 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.

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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.

2.24. BUSINESS COMBINATIONS AND CONSOLIDATION PRINCIPLES

Subsidiaries

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

Accounting method

Pursuant to IFRS 3, the Group applies the purchase method as the accounting method for the business combinations.

Costs of business combination

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

The date of an acquisition

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

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

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

Selected consolidation procedures

The carrying amount 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.

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Allocation of the business combination costs

The acquirer recognises, 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 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 5 “Non-current assets held for sale and discontinued operations” which are presented at their fair value less the costs of sale.

The acquirer recognises 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.

2.25. SEGMENT REPORTING

Under IAS 14 “Segment reporting”, the Group is obligated to present results of its operations by operations segments.

According to the original assumptions of the standard, 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.

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

IAS 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2007 TO 31 DECEMBER 2007

NOTE1

BUSINESS COMBINATION

As a result of fulfilment of conditions precedent resulting from the agreement concluded on 15 December 2005 between Eurocash S.A. and previous shareholders of KDWT S.A., on 31 March 2006 Eurocash S.A. has become an owner of 100% of shares in KDWT S.A. and has taken control over this entity.

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 organised 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 organised part of the enterprise of Carment including the franchise chain of retail „Delikatesy Centrum” stores,
- EC Detal acquired organised part of the enterprise including 30 own stores under the „Delikatesy Centrum” brand.

NOTE 2

SEGMENT REPORTING

Eurocash Group runs the business exclusively within the territory of Poland that may be considered as homogenous in terms of economic conditions and risk related to the operations. All that determines the business sector selection 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 in terms of geographical segments.

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

Table no 1

INCOME AND RESULTS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2007 TO 31 DECEMBER 2007

	Traditional wholesale	Active distribution	Other	Exclusions	Total
Sales	2 609 900 071	2 266 707 861	30 932 677	(177 674 909)	4 729 865 701
External sales	2 546 689 767	2 161 828 200	21 347 734	-	4 729 865 701
Inter-segmental sales	63 210 304	104 879 661	9 584 944	(177 674 909)	-
Operating profit	64 246 802	14 809 521	7 545 060	177 709	86 779 094
Finance income	1 858 695	74 901	20 871	(178 058)	1 776 410
Finance costs	(9 358 217)	(4 020 632)	(322 871)	178 058	(13 523 662)
Profit before income tax	56 747 280	10 863 791	7 243 061	177 709	75 031 841
Income tax	(12 742 020)	(2 071 901)	(1 296 133)	(40 961)	(16 151 015)
Net profit	44 005 260	8 791 890	5 946 928	136 748	58 880 826
Total assets	689 756 790	201 087 451	30 241 608	(51 357 931)	869 727 918
Trade liabilities	424 852 416	82 814 780	5 005 642	(7 322 765)	505 350 072
Investment expenditures	57 399 161	2 639 797	14 157 540	-	74 196 498
Depreciation and amortisation	29 922 254	3 139 287	2 286 509	337 470	35 685 520

Consolidated financial statements of EUROCASH Group			
Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 1

INCOME AND RESULTS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2007 TO 31 DECEMBER 2006

	Traditional wholesale	Active distriution	Other	Exclusions	Total
Sales	1 978 448 439	1 364 559 877	5 831 045	(111 862 314)	3 236 977 047
External sales	1 958 394 720	1 272 751 282	5 831 045	-	3 236 977 047
Inter-segmental sales	20 053 719	91 808 595	-	(111 862 314)	-
Wynik segmentu	46 023 561	11 681 705	(1 233 985)	(1 254 013)	55 217 269
Finance income	-	-	4 963 847	(294)	4 963 554
Finance costs	-	-	(6 633 234)	583 592	(6 049 642)
Profit before income tax	-	-	(2 903 371)	(670 715)	54 131 181
Income tax	-	-	(12 877 688)	318 899	(12 558 789)
Net profit	-	-	(15 781 058)	(351 816)	41 572 392
Total assets	588 638 910	165 588 920	16 890 564	(72 998 438)	698 119 956
Trade liabilities	329 365 403	43 125 811	2 445 312	(3 745 309)	371 191 217
Investment expenditures	124 889 409	3 490 769	11 050 065	(22 635 352)	116 794 891
Depreciation and amortisation	28 018 374	3 119 925	1 304 834	(387 498)	32 055 635

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NOTE 3

INTANGIBLE FIXED ASSETS

Information about intangible fixed assets is presented in Table no 2.

Table no 2

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2007

	Goodwill	Patents and licences	Know how	Trademarks	Other intangible fixed assets	Total
Net carrying value as at 1 January 2006	-	2 971 077	45 515 066	56 327 431	6 005 485	110 819 059
Acquisition due to merger of enterprises	33 823 699	810 125	-	13 064 000	345 600	48 043 424
Increase due to acquisition	-	1 695 936	-	-	331 748	2 027 684
Decrease due to sale	-	(23 467)	-	-	(4 954)	(28 421)
Amortisation	-	(2 358 210)	(3 733 203)	(1 234 000)	(2 854 362)	(10 179 775)
Other changes	-	300 479	-	-	32 478	332 957
Net carrying value as at 31 December 2006	33 823 699	3 395 941	41 781 863	68 157 431	3 855 994	151 014 928
Net carrying value as at 1 January 2007	33 823 699	3 395 941	41 781 863	68 157 431	3 855 994	151 014 928
Increase due to acquisition	-	1 947 916	-	-	14 107 483	16 055 399
Decrease due to sale	-	(3 998)	-	-	-	(3 998)
Amortisation	-	(2 473 125)	(5 449 808)	(1 234 000)	(2 538 454)	(11 695 387)
Other changes	-	(39 136)	-	-	-	(39 136)
Net carrying value as at 31 December 2007	33 823 699	2 827 598	36 332 055	66 923 431	15 425 023	155 331 806

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

Table no 2

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007 (continued)

	Goodwill	Patents and licences	Know how	Trademarks	Other intangible fixed assets	Total
<i>As at 1 January 2007</i>						
Gross carrying value	33 823 699	8 837 588	54 498 079	70 008 431	6 360 888	173 528 685
Total accumulated amortisation and write-offs	-	(5 441 647)	(12 716 216)	(1 851 000)	(2 504 894)	(22 513 757)
Net carrying value	33 823 699	3 395 941	41 781 863	68 157 431	3 855 994	151 014 928
<i>As at 31 December 2007</i>						
Gross carrying value	33 823 699	10 742 370	54 498 079	70 008 431	20 468 371	189 540 951
Total accumulated amortisation and write-offs	-	(7 914 772)	(18 166 024)	(3 085 000)	(5 043 348)	(34 209 145)
Net carrying value	33 823 699	2 827 598	36 332 055	66 923 431	15 425 023	155 331 806

The Group identifies the following intangible assets that have an indefinite useful life:

- the “Eurocash” trade mark – with carrying amount 27.387.672,30 PLN,
- the “abc” trade mark – with carrying amount of 17.216.759,00 PLN,
- the “KDWT” trade mark – with carrying amount of 13.004.000,00 PLN.

Apart from listed below, the Group recognises also a trade mark with a definite useful life – “MHC”. The trade mark adopted to use on 1 June 2005 and has been depreciated for 10 years. As at 31 December 2007 the “MHC” trade mark’s carrying amount id 9.255.000 PLN.

The Group recognised no impairment loss on intangible fixed assets.

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NOTE 4

TANGIBLE FIXED ASSETS

Information about tangible fixed assets is presented in Table No 3.

Table no 3

TANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

	Land, buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Constructions in progress	Total
Net carrying value as at 1 January 2006	32 251 902	12 791 129	9 006 689	11 494 898	2 188 260	67 732 878
Acquisition due to merger of enterprises	6 692 223	3 039 775	5 680 141	2 053 038	-	17 465 178
Increase due to acquisition	22 477 094	4 442 674	5 128 673	3 410 914	21 708 195	57 167 551
Increase due to lease agreements	12 343 223	939 320	1 069 753	-	-	14 352 296
Decrease due to sale	(18 837 690)	(479 933)	(303 189)	(78 739)	(60 000)	(19 759 551)
Decrease due to liquidation	(3 103 622)	(733 271)	(236 747)	(1 242 317)	-	(5 315 957)
Depreciation	(3 758 334)	(5 666 092)	(3 836 175)	(6 788 797)	-	(20 049 397)
Other changes	16 179 286	1 927 465	137 964	1 541 045	(22 381 192)	(2 595 433)
Net carrying value as at 31 December 2006	64 244 083	16 261 068	16 647 109	10 390 042	1 455 263	108 997 565
Net carrying value as at 1 January 2007	64 244 083	16 261 068	16 647 109	10 390 042	1 455 263	108 997 566
Increase due to acquisition	17 223 429	8 065 611	1 946 988	12 883 412	33 446 306	73 565 746
Increase due to lease agreements	-	-	844 707	-	-	844 707
Decrease due to sale	(11 383 270)	(162 945)	(1 644 750)	(295 514)	(84 816)	(13 571 296)
Decrease due to liquidation	(907 034)	(1 052 692)	(1 002 119)	(911 285)	(24 898 787)	(28 771 917)
Depreciation	(5 581 510)	(5 419 255)	(3 256 559)	(5 827 737)	-	(20 085 061)
Other changes	(39 868)	(333 525)	486 527	(56 448)	-	56 686
Net carrying value as at 31 December 2007	63 555 830	17 358 262	14 021 903	16 182 470	9 917 965	121 036 431

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

Table no 3

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007 (continued)

	Land, buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Constructions in progress	Total
<i>As at 1 January 2007</i>						
Gross carrying value	80 421 855	33 768 975	24 865 407	31 074 247	1 455 263	171 585 747
Total accumulated amortisation and write-offs	(16 177 772)	(17 507 908)	(8 218 298)	(20 684 205)	-	(62 588 181)
Net carrying value	64 244 083	16 261 068	16 647 109	10 390 043	1 455 263	108 997 566
<i>As at 31 December 2007</i>						
Gross carrying value	85 315 111	40 285 424	25 496 760	42 694 412	9 917 965	203 709 673
Total accumulated amortisation and write-offs	(21 759 281)	(22 927 163)	(11 474 856)	(26 511 942)	-	(82 673 242)
Net carrying value	63 555 830	17 358 262	14 021 903	16 182 471	9 917 965	121 036 431

As at 31 December 2007, net value of fixed assets under financial lease (that are the guarantees of the lease contracts) amounts to 15.896.263,44 PLN.

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NOTE 5

ANALYSIS OF INDICATIONS OF POTENTIAL ASSETS IMPAIRMENT

In accordance with IAS 36, at balance sheet date the Group assessed whether there is any indication of potential assets impairment.

The following indications have been assessed:

- decline in market value – during the period, there was no significant decline in market value more than would be expected as a result of the passage of time or normal,
- environment assessment – during the examined period, there were no significant or disadvantageous changes in the technological, market, economic or legal environment in which the Group operates,
- market factors – during the examined period, there was no increase in interest rates or other market return on investment rates that would affect the discount rate used for calculation of the usable value of the examined assets and reducing their recoverable amount,
- accounting factors – carrying amount of the Group's net assets is lower than market capitalisation,
- usability factors – there are no grounds or evidence of obsolescence or physical damage of assets,
- functionality factors –no significant or disadvantageous changes with a favorable effect on the Group have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, the asset is used or is expected to be used. The cessation of use of certain assets, as well as any plans to cease or restructure the operations to which the assets belongs were not noted or considered. No attempt was made either to dispose any assets before the end of initially assumed useful life or to change their useful life period.
- 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 originally assumed in the budget,
- operational factors – actual net cash flows and the related operational profit is up to scratch of the budget figure,
- financial factors – having analysed the results of the examined period and the future budget figures, there were no net cash outflows related to the certain assets.

The next analysis is planned for 31 December 2008.

With reference to intangible assets that have an indefinite useful life, the Group conducted the following tests for impairment:

- test for impairment of the "Eurocash" trade mark as of 31 December 2007
As a result of the analysis it was confirmed that the impairment loss is not necessary.
The next test is planned for 31 December 2008.
- test for impairment of the "abc" trade mark as of 31 December 2007
As a result of the analysis it was confirmed that the impairment loss is not necessary.
The next test is planned for 31 December 2008.
- test for impairment of the "KDWT" trade mark as of 31 December 2007
As a result of the analysis it was confirmed that the impairment loss is not necessary.
The next test is planned for 31 December 2008.

According to IAS 36 "Impairment of Assets", the Group conducted the following tests for impairment in case of goodwill on acquisition of associates:

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- the goodwill arisen as a consequence of the acquisition of the organised part of the enterprise Carment M. Stodółka i Wspólnicy Spółka Jawna as of 31 December 2007
As a result of the analysis it was confirmed that the impairment loss is not necessary.
The next test is planned for 31 December 2008.
- the goodwill arisen as a consequence of the acquisition of KDWT S.A. as of 31 December 2007
As a result of the analysis it was confirmed that the impairment loss is not necessary.
The next test is planned for 31 December 2008.

NOTE 6

INVESTMENT REAL ESTATE

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

NOTE 7

LONG-TERM RECEIVABLES

Information about long-term receivables is presented in Table no 4.

Table no 4

LONG-TERM RECEIVABLES AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
Security deposits paid due to agreements on depot rental	1 872 272	1 588 307
	1 872 272	1 588 307

NOTE 8

INVENTORIES

Information about stocks is presented in Tables no 5 and 6.

Table no 5

INVENTORIES STRUCTURE AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
Traded goods	224 667 008	205 218 852
Materials	194 210	199 060
Advances for deliveries	-	4 126 974
Total stocks, including:	224 861 218	209 544 886
- carrying value of stocks being a security for liabilities	62 400 000	20 200 000

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

Table no 6

INVENTORIES IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

	for the period od 01.01.2007 do 31.12.2007	for the period od 01.01.2006 do 31.12.2006
Opening balance	4 642 388	4 672 138
- increasing	1 773 830	2 184 164
- decreasing	-	(2 213 914)
Closing balance	6 416 219	4 642 388

NOTE 9

TRADE RECEIVABLES AND OTHER RECEIVABLES

Information about trade receivables and other receivables is presented in Table no 7.

Table no 7

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
Trade receivables	220 113 990	160 364 271
Credit sales	153 768 978	123 869 713
Receivables from suppliers	69 616 532	40 514 457
ABC marketing fees	634 249	720 927
Other trade receivables	2 243 870	2 370 106
Allowance for trade bad debts	(6 149 638)	(7 110 931)
Other receivables	13 110 637	22 638 411
Settlement of VAT	7 907 525	9 443 313
Receivables from non-trade contractive parties	2 751 184	4 573 833
Receivables from employees	963 889	278 654
Loans	197 202	77 283
Receivables from insurance	182 232	14 282
	34 628	3 744 221
Other receivables	1 401 069	5 971 716
Allowance for other bad debts	(327 092)	(1 464 891)
Total receivables, including:	233 224 627	183 002 682
- long-term	-	-
- short-term	233 224 627	183 002 682

NOTE 10

SHORT-TERM PREPAYMENTS

Information about short-term prepayments is presented in Table no 8.

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

Table no 8

SHORT-TERM PREPAYMENTS AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
Software rental	476 356	429 161
Licences for selling alcohol	367 360	622 350
Rental	331 010	604 405
Media	213 998	30 891
Advertising folders	36 957	400 774
Insurances	199 637	36 537
Other prepayments	268 253	200 342
	1 893 571	2 324 460

NOTE 11

SHAREHOLDERS' EQUITY

Information about shareholders' equity is presented in Table no 9, 10 and 11.

Table no 9

SHARE CAPITAL AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
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 2007 share capital was comprised of 127.742.000 "A" bearer shares of the par value of PLN 1.00 each.

The structure of shareholders holding more than 5% in total number of votes is presented in Table no 10.

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

Table no 10

SHAREHOLDERS STRUCTURE

Table no 10

SHAREHOLDERS STRUCTURE

Shareholder	31.12.2007				31.12.2006			
	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	55,00%	70 258 100	55,00%	70 258 100	55,00%	70 258 100	55,00%
2. ING Nationale – Nederlanden Polska Otwarty Fundusz Emerytalny	6 843 714	5,36%	6 843 714	5,36%	6 598 714	5,17%	6 598 714	5,17%
3. Commercial Union - Powszechnie Towarzystwo Emerytalne BPH CU WBK	6 586 001	5,16%	6 586 001	5,16%		less then 5%		less then 5%
4. Charlemagne Capital (IOM) Limited		less then 5%		less then 5%	6 488 383	5,08%	6 488 383	5,08%

Table no 11

CHANGES IN SHARE CAPITAL IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

	for the period od 01.01.2007 do 31.12.2007	for the period od 01.01.2006 do 31.12.2006
Share capital at the beginning of the period	127 742 000	127 742 000
Increase of share capital in the period	-	-
Decrease of share capital in the period	-	-
Share capital at the end of the period	127 742 000	127 742 000

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

NOTE 12

OTHER CAPITAL

Information about other capital is presented in Table no 12.

Table no 12

CHANGES TO OTHER CAPITAL IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

	Supplementary capital	Total
<i>As at 1 January 2006</i>	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
Valuation of the Incentive Scheme for employees	2 149 472	2 149 472
<i>As at 31 December 2006</i>	29 059 203	29 059 203
<i>As at 1 January 2007</i>	29 059 203	29 059 203
Increase in the period from 1 January to 31 December 2007	18 051 810	18 051 810
Net profit for the period from 1 January to 31 December 2006	13 196 860	13 196 860
Wycena programu motywacyjnego dla pracowników	4 854 950	4 854 950
<i>Stan na dzień 31.12.2007 roku</i>	47 111 013	47 111 013

NOTE 13

OPTIONS FOR SHARES

Information about options for own shares is presented in Table no 13.

Table no 13

OPTIONS FOR SHARES IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

	Number of options	performance prices (PLN/share)
Existing at the beginning of the reporting period	7 754 736	4,30
Allotted in the reporting period	1 596 775	8,47
Redeemed in the reporting period	-	-
Exercised in the reporting period	-	-
Expired in the reporting period	-	-
Existing at the end of the reporting period	9 351 511	5,01
Possible to exercise at the end of the period	-	-

1) Pursuant to Resolution No. 3 of the Extraordinary General Meeting (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-series shares under the Incentive Scheme designated for executive officers, managerial staff and key personnel of Eurocash S.A.

1 December 2007 is the date of offer manoeuvre as well as its acceptance.

Eurocash S.A. will issue the total of 255.484 inscribed shares in two series:

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- 127.742 A-series inscribed bonds of the par value of 1 grosz (PLN 0.01) each, with the right to subscribe B-series ordinary bearer shares with priority over shareholders of the Group;
- 127.742 B-series inscribed bonds of the par value of 1 grosz (PLN 0.01) each, with the right to subscribe C-series ordinary bearer shares with priority over shareholders of the Group.

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-series shares.

One B-series bond gives priority to subscribe and take up 25 C-series shares.

The main requirement for a procuration of the rights to options is 3 year employment period.

The Group valued the Incentive Scheme for A-series bonds at 1.799,5 TPLN. The value has been amortised for the period of 3 years, starting from 1 January 2005.

The Group valued the Incentive Scheme for B-series bonds at 2.781,7 TPLN. The value has been amortised for the period of 3 years, starting from 1 January 2006.

2) Pursuant to Resolution No. 17 of the Extraordinary General Meeting (25 April 2006) on issue of the KDWT Incentive Scheme it was decided to issue C-series shares for specific executive officers of KDWT entitled to the Incentive Scheme. The bonds can be bought purely in the maximum amount and exclusively by Authorised People, i.e.:

- by Roman Piątkiewicz – 253.611 of C-series bonds,
- by Mieczysław Kuśnierczak – 93.302 of C-series bonds,
- by Zofia Budzińska – 68.087 of C-series bonds,

under condition that the Authority will be employed by KDWT S.A. (or another entity which the operations of KDWT S.A. will be transferred to) for at least 36 months starting from the date of the mass-vouchers release, i.e. from 31 March 2006 to 31 March 2009. Till the end of the last working day prior to the Option Execution Day, Resolution of the Supervisory Board will be resolved in order to determine a final Authorities list entitled to buy C-series bonds. The list will embrace all the Authorities previously mentioned excluding those who has been terminated.

The date of offer manoeuvre as well as its acceptance will fall in December 2008..

Eurocash S.A. will issue the total of 415.000 inscribed shares.

The bonds will bear no interest.

The bond issue price will be 1 polish grosz.

One C-series bond gives priority to subscribe and take up to 2 D-series ordinary inscribed shares.

The Group valued the KDWT Incentive Scheme for C-series bonds at 1.894,3 TPLN. The value will be amortised for the period of 3 years – as this is an expected period of the program – starting from 1 April 2006.

3) In consequence of the covenant agreement, on 16 August 2006 Eurocash S.A. (as an associate of FHC-2) pledged to grant some of the shareholders of Carment (Stanisław Bazan, Zofia Szubra, Marek Stodółka, Bogdan Habrat) the rights to buy E-series bonds in the range of the managerial option scheme giving the pre-emption right to the Eurocash S.A. F-series ordinary shares, under the condition that the Authority will be employed for at least 36 months starting from the date of the Acquisition Agreement of Delikatesy Centrum, i.e. from 16 August 2006 to 16 August 2009.

Each of the Authorities is entitled to buy up to 44.803 E-series bonds.

The offer for E-series bonds can be accepted no earlier than in the first working day subsequent to the end of the 36-month period from the date of the Acquisition Agreement of Delikatesy Centrum, i.e. from 16 August 2009 to 14 August 2010.

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Eurocash S.A. will issue the total of 179.212 E-series inscribed shares.

The bonds will bear no interest.

The bond issue price will be 1 polish grosz.

One E-series bond gives priority to subscribe and take up to 3 E-series ordinary inscribed shares.

The Group valued the Incentive Scheme for E-series bonds at 974,2 TPLN. The value has been amortised for the period of 3 years, starting from 16 August 2006.

4) 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 offer for D-series bonds can be accepted no earlier than in the first day of the period from 1 January 2010 to 31 December 2012 when the Authorities can execute the right to subscribe E-series bonds and no later than in the third working day before the last day of the Third Period of the Options Execution by the Employees.

Eurocash S.A. will issue the total of 63.871 inscribed shares.

The bonds will bear no interest.

The bond issue price will be 1 polish grosz.

One D-series bond gives priority to subscribe and take up to 25 E-series ordinary inscribed shares.

The main requirement for a procuration of the rights to options is 3 year employment period.

The Group valued the Incentive Scheme for D-series bonds at 6.334,6 TPLN. The value has been amortised for the period of 3 years, starting from 1 January 2007.

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

NOTE 14

PROVISIONS

Information about provisions is presented in Tables no 14 and 15.

Table no 14

CHANGES IN PROVISIONS AND ACCRUALS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

	Provision for employee benefits	Accrual for agency depot commissions	Accrual for costs of transport	Provision for advertising
Provisions and accruals as at 1 January 2006	6 096 111	655 002	400 000	425 000
Increases		206 601	-	-
Decreases	(525 685)	-	(92 000)	(285 381)
Provisions and accruals as at 31 December 2006, including:	5 570 426	861 603	308 000	139 619
- short-term	5 242 133	861 603	308 000	139 619
- long-term	328 293	-	-	-
Provisions and accruals as at 1 January 2007	5 570 426	861 603	308 000	139 619
Increases	11 077 013	13 191 261	6 698 886	7 337 153
Decreases	(5 106 400)	(12 940 322)	(6 509 692)	(6 190 898)
Provisions and accruals as at 31 December 2007, including:	11 541 039	1 112 542	497 194	1 285 874
- short-term	11 246 255	1 112 542	497 194	1 285 874
- long-term	294 784	-	-	-

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

Table no 14

CHANGES IN PROVISIONS AND ACCRUALS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007 (continued)

	Media accrual	Provision for non trade costs	Other	Total
Provisions and accruals as at 1 January 2006	400 075	344 971	4 557 067	12 878 226
Increases	-	1 398 131	52 025	1 656 757
Decreases	(177 478)	-	(2 483 703)	(3 564 247)
Provisions and accruals as at 31 December 2006, including:	222 597	1 743 103	2 125 389	10 970 736
- short-term	222 597	1 743 103	2 125 389	10 642 443
- long-term	-	-	-	328 293
Provisions and accruals as at 1 January 2007	222 597	1 743 103	2 125 389	10 970 736
Increases	3 025 439	9 751 644	5 617 813	56 699 209
Decreases	(2 852 710)	(10 650 926)	(3 809 837)	(48 060 784)
Provisions and accruals as at 31 December 2007, including:	395 326	843 820	3 933 365	19 609 161
- short-term	395 326	843 820	3 933 365	19 314 377
- long-term	-	-	-	294 784

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

Table no 15

PROVISIONS AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
Provision for severant payment	11 541 039	5 570 426
Provision for costs of advertising	1 285 874	139 619
Provision for individual clients (increase of sales)	1 135 956	-
Provision for agency depot commissions	1 112 542	861 603
Provision for non trade costs	843 820	1 743 103
Provision for costs of transport	497 194	308 000
Provision for media	395 326	222 597
Provision for restructuring	367 452	821 661
Provision for rents	321 795	170 944
Provision for costs of advisory and audit services	206 105	131 158
Other provisions	1 902 058	1 001 625
	19 609 161	10 970 736

NOTE 15

TRADE LIABILITIES AND OTHER LIABILITIES

Information about trade liabilities and other liabilities is presented in Table no 16.

Table no 16

TRADE LIABILITIES AND OTHER LIABILITIES AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
Trade liabilities	505 350 072	371 191 217
Supplies of traded goods	482 024 614	363 040 109
Services	23 325 458	8 151 108
Other liabilities	19 108 313	24 659 979
Settlement of VAT	758 713	629 347
Social insurance	2 917 830	2 397 848
Liabilities from purchases of fixed assets	8 767 871	4 471 627
Tax, customs, insurances and other liabilities	1 024 889	1 190 516
Current corporate income tax	3 134 237	3 537 007
Other liabilities	2 504 773	12 433 634
Total liabilities, including:	524 458 386	395 851 196
- long-term	-	2 499 999
- short-term	524 458 386	393 351 197

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

NOTE 16

LOANS AND CREDITS

Information about loans or credits is presented in Table no 17.

Table no 17

LOANS AND CREDITS AS AT 31 DECEMBER 2007

	Credit destination	Liability amount	Interest rate	Costs for the period from 01.01.2007 to 31.12.2007
Credits		73 148 384		3 321 534
Millenium	overdraft for financing of current activities	32 489 942	WIBOR 1M + bank's margin 0,6 p.p.	1 660 767
BRE	overdraft for financing of current activities	40 658 341	WIBOR 1daily + bank's margin 0,6 p.p.	1 660 767
Citibank	n/a	102	n/a	-
Total loans and credits		73 148 384		3 321 534

NOTE 17

OTHER FINANCIAL LIABILITIES

Information about other financial liabilities is presented in Table no 18.

Table no 18

OTHER SHORT-TERM AND LONG-TERM FINANCIAL LIABILITIES AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
Liabilities under financial lease agreements	13 743 242	15 270 653
	13 743 242	15 270 653
- long-term	11 222 655	12 734 894
- short-term	2 520 587	2 535 759

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FINANCIAL LEASE

Table no 19

LIABILITIES UNDER FINANCIAL LEASE AGREEMENTS AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2007	as at 31.12.2006	as at 31.12.2006
	minimum fees	current value of minimum fees	minimum fees	current value of minimum fees
<i>Future minimum fees due to financial lease agreements</i>				
Payable within 1 year	3 261 106	2 520 587	3 308 931	2 535 759
Payable in the period from 1 year to 5 years	6 082 678	3 756 544	6 439 811	4 935 071
Payable in the period of over 5 years	8 463 502	7 466 111	10 178 048	7 799 823
Total future minimum fees due to financial lease agreements	17 807 286	13 743 242	19 926 789	15 270 653
Financial costs	4 064 044	X	4 656 136	X
Current value of minimum fees under financial lease agreements	13 743 242	13 743 242	15 270 653	15 270 653

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

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 case of the agreements concerning trading premises, the price was established per one square meter. Valorization of the prices is 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 case 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 20.

Table no 20

LIABILITIES UNDER OPERATING LEASE AGREEMENTS AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
LIABILITIES UNDER OPERATING LEASE AGREEMENTS		
Payable within 1 year	25 182 237	15 534 397
Payable in the period from 1 year to 5 years	110 815 384	58 899 108
Payable in the period of over 5 years	39 112 858	18 865 339
Total future minimum fees due to operating lease agreements	175 110 478	93 298 844

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

NOTE 18

INCOME TAX

Specification of income tax for the reporting period is presented in Table no 21 and 22.

Table no 21

INCOME TAX FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007 (main components)

	for the period od 01.01.2007 do 31.12.2007	for the period od 01.01.2006 do 31.12.2006
<i>Profit and loss account</i>		
Current income tax	(14 268 268)	(10 250 248)
Current income tax burden	(14 013 006)	(10 250 248)
Adjustment of prior years on current income tax	(255 262)	-
Deferred income tax	(1 882 747)	(2 308 541)
Due to creation and reversal of temporary differences	(1 882 747)	(2 308 541)
Tax burden recorded in profit and loss account	(16 151 015)	(12 558 789)

Table no 22

ESTABLISH INCOME TAX BURDEN FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007 (main components)

	for the period od 01.01.2007 do 31.12.2007	for the period od 01.01.2006 do 31.12.2006
Gross profit	75 031 841	54 131 181
Tax calculated on tax base 19%	(14 256 050)	(10 284 924)
Tax influence from permanent differences between gross profit and tax base	(2 152 566)	(2 241 620)
Capital group unit's tax losses, in connection which the deferred income tax provision was no recognized	-	(318 899)
Other differences	257 601	286 654
Tax burden shown in profit and losses	(16 151 015)	(12 558 789)
Effective tax rate	21,53%	23,20%

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Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 19

DEFERRED INCOME TAX

Deferred income tax is presented in Table No 23.

Table no 23

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

	Balance sheet		Profit and loss account	
	as at 31.12.2007	as at 31.12.2006	for the period od 01.01.2007 do 31.12.2007	for the period od 01.01.2006 do 31.12.2006
<i>Deferred income tax provision</i>				
- difference between tax and accounting depreciation and amortization	11 401 898	7 859 903	3 541 995	2 168 248
- future revenues	2 949 813	1 210 258	1 739 555	(148 830)
- interests income	79 839	-	79 839	-
- lease liabilities	520 292	475 415	44 877	475 415
- unrealized exchange rates	63 848	-	63 848	-
Gross deferred income tax provision	15 015 690	9 545 576	5 470 114	2 494 833

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Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 23

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007 (continued)

	Balance sheet		Profit and loss account	
	as at 31.12.2007	as at 31.12.2006	for the period od 01.01.2007 do 31.12.2007	for the period od 01.01.2006 do 31.12.2006
<i>Deferred income tax provision</i>				
- deferment of rebates	2 349 325	1 836 641	(512 684)	(442 819)
- revaluation write-off on inventories	1 219 082	882 054	(337 028)	82 363
- allowance for bad debts	725 785	987 445	261 660	(749 909)
- asset and provision by virtue of deferred tax	903 366	192 040	(711 326)	(192 040)
- provision for paid leaves	717 811	486 752	(231 059)	(142 348)
- provision for bonuses	1 397 391	380 000	(1 017 391)	-
- social security to paid in next month	254 886	232 123	(22 763)	424 646
- provision for agency depot commissions	211 383	202 275	(9 108)	(39 254)
- provision for costs of transport	94 467	58 520	(35 947)	17 480
- provision for costs of media	75 112	42 293	(32 819)	60 197
- provision for individual clients (increase of sales)	215 832	-	(215 832)	-
- interests concern lease	729 365	144 730	(584 635)	-
- other provisions	746 970	608 534	(138 436)	(1 326 836)
- deferred income tax assets	9 640 774	6 053 407	(3 587 367)	(2 308 520)
Deferred income tax burden			1 882 747	186 313
Net deferred income tax provision	5 374 916	3 492 169	X	X
Net deferred income tax assets	-	-	X	X

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

NOTE 20

OTHER LONG-TERM PREPAYMENTS

Other long-term prepayments are presented in Table no 24.

Table no 24

OTHER LONG-TERM PREPAYMENTS AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
Other prepayments	36 905	348 521
	36 905	348 521

NOTE 21

NET SALES IN THE REPORTING PERIOD

Net sales are presented in Table no 25.

Table no 25

NET SALES IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

	for the period od 01.01.2007 do 31.12.2007	for the period od 01.01.2006 do 31.12.2006
Sales of traded goods	4 638 343 918	3 167 298 403
Provision of services	91 521 783	69 678 644
Total net sales	4 729 865 701	3 236 977 047

NOTE 22

COSTS BY NATURE

Costs by nature are presented in Table no 26.

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Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 26

COSTS BY NATURE IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

	for the period od 01.01.2007 do 31.12.2007	for the period od 01.01.2006 do 31.12.2006
Amortisation	35 685 520	23 657 523
Materials and power	19 470 055	15 498 586
Third party services	129 444 169	99 635 421
Fees and taxes	5 071 901	4 630 220
Payroll	101 589 379	72 215 632
Social insurance and other benefits	19 906 033	14 818 752
Other costs by nature	20 014 419	15 882 195
Costs by nature	331 181 476	246 338 329
including:		
Costs of sales	225 440 908	169 313 656
Costs of general management	105 740 568	77 024 673

NOTE 23

OTHER OPERATING REVENUES AND COSTS

Other operating revenues and costs are presented in Table no 27.

Table no 27

OTHER OPERATING REVENUES AND COSTS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

	for the period od 01.01.2007 do 31.12.2007	for the period od 01.01.2006 do 31.12.2006
Other operating revenues	12 316 079	8 177 086
Other sales	2 579 495	1 909 732
Sub-lease of premises	1 562 367	883 922
Compensation received	776 327	1 176 110
Transport services rendered	838 672	942 681
Other operating revenues	6 559 218	3 264 641
Other operating costs	(18 058 351)	(12 816 309)
Inventories settlement	(9 997 759)	(3 869 636)
Liquidation of damaged and expired goods	(3 446 372)	(2 410 568)
Other operating costs	(4 614 220)	(6 536 105)
Net other operating revenues (costs)	(5 742 272)	(4 639 223)

NOTE 24

FINANCIAL REVENUES AND COSTS

Financial revenues and costs are presented in Table no 28.

<i>Consolidated financial statements of EUROCASH Group</i>			
Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 28

FINANCIAL REVENUES AND COSTS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

	for the period od 01.01.2007 do 31.12.2007	for the period od 01.01.2006 do 31.12.2006
Financial revenues	1 776 410	4 963 554
Gains on shares sale	-	1 343 400
Interest	1 162 396	1 423 459
Exchange gains	(144 129)	(149 268)
Other financial revenues	758 143	2 345 963
Financial costs	(13 523 662)	(6 049 642)
Interest	(11 890 240)	(2 854 616)
Bank fees	(1 223 108)	(2 532 846)
Exchange losses	(119 902)	(175 506)
Other financial costs	(290 412)	(486 674)
Net financial revenues (costs)	(11 747 252)	(1 086 088)

(Net) exchange gains (losses) are presented in Table No 29.

Table no 29

NET EXCHANGE GAINS/LOSSES IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

	for the period od 01.01.2007 do 31.12.2007	for the period od 01.01.2006 do 31.12.2006
Financial revenues	(144 129)	(149 268)
Financial costs	(119 902)	(175 506)
Total	(264 031)	(324 774)

NOTE 25

EARNINGS PER SHARE

Information about earnings per share is presented in Table no 30.

Consolidated financial statements of EUROCASH Group			
Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 30

EARNINGS PER SHARE FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

	for the period od 01.01.2007 do 31.12.2007	for the period od 01.01.2006 do 31.12.2006
<i>Earnings</i>		
Net earnings of a given year for the purpose of calculating earnings per share for distribution among shareholders	58 880 826	41 572 392
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	<u>58 880 826</u>	<u>41 572 392</u>
<i>Number of issued shares</i>		
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	9 351 511	7 754 736
Weighted average number of ordinary shares (for the needs of calculating diluted earnings per share)	<u>136 314 810</u>	<u>134 959 987</u>

Calculation of weighted average number of shares

Year 2007

$$(127.742.000 \times 365 \text{ days}) / 365 \text{ days} = 127.742.000$$

Year 2006

$$(127.742.000 \times 365 \text{ days}) / 365 \text{ days} = 127.742.000$$

Calculation of weighted average diluted number of shares

Year 2007

$$(135.496.736 \times 178 / 365 \text{ days}) + (135.093.511 \times 187 / 365 \text{ days}) = 136.314.810$$

Year 2006

$$(134.129.100 \times 89 / 365 \text{ days}) + (134.959.100 \times 138 / 365 \text{ days}) + (135.496.736 \times 138 / 365 \text{ days}) = 134.959.987$$

Description of share diluting factors

Diluted earnings per share is an effect of the option schemes valuation presented in Note 13.

NOTE 26

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.

Consolidated financial statements of EUROCASH Group			
Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 31

BOOK VALUE PER SHARE ON 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
Book value	233 393 828	211 585 195
Number of shares	127 742 000	127 742 000
Diluted number of shares	136 314 810	134 959 987
Book value per share	1,83	1,66
Diluted book value per share	1,71	1,57

NOTE 27

INFORMATION ABOUT RELATED COMPANIES

No significant transactions with related undertakings were concluded in 2007, apart from the transactions based on the Company's ordinary operations and market conditions.

The below table (Table no 32) 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 2007 to 31 December 2007.

There were no other transactions related to the members of the Management Board and the Supervisory Board and the companies personally related to the Management Board and the Supervisory Board.

Table no 32

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF DOMINANT UNIT IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

	Basic salary	Other benefits	Share option	Total
<i>Remuneration of Management Board members</i>				
Luis Amaral	300 000	743 144	-	1 043 144
Rui Amaral	540 000	44 341	524 777	1 109 118
Arnaldo Guerreiro	480 000	50 113	423 632	953 745
Pedro Martinho	480 000	46 571	249 172	775 743
Katarzyna Kopaczewska	360 000	45 341	156 857	562 198
Ryszard Majer	317 500	58 724	145 122	521 346
Roman Piątkiewicz	116 000	9 905	198 408	324 313
	2 593 500	998 139	1 697 968	5 289 607
<i>Remuneration of Supervisory Board members</i>				
Joao Borges de Assuncao	95 969	-	-	95 969
Eduardo Aguinaga de Moraes	46 249	-	-	46 249
Ryszard Wojnowski	46 065	-	-	46 065
Janusz Lisowski	46 065	-	-	46 065
Antonio Jose Santos Silva Casanova	46 065	-	-	46 065
	280 413	-	-	280 413

Consolidated financial statements of EUROCASH Group			
Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 32

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD OF SUBSIDIARY IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007 (continued)

	Basic salary	Other benefits	Share option	Total
<i>Remuneration of Management Board members KDWT S.A.</i>				
Roman Piątkiewicz	432 157	-	385 827	817 984
Mieczysław Kuśnierczak	437 950	-	141 943	579 893
Arnaldo Guerreiro	120 000	-	-	120 000
	990 107	-	527 770	1 517 877

Remuneration of Management Board members Eurocash Franszyza sp. z o.o.

Pedro Martinho	60 000	-	-	60 000
Katarzyna Kopaczewska	42 000	-	-	42 000
Michał Bartkowiak	42 000	-	-	42 000
	144 000	-	-	144 000

Remuneration of Management Board members Eurocash Detal sp. z o.o.

Pedro Martinho	60 000	-	-	60 000
Katarzyna Kopaczewska	42 000	-	-	42 000
Michał Bartkowiak	42 000	-	-	42 000
	144 000	-	-	144 000

NOTE 28

INFORMATION ABOUT THE HEADCOUNT

Information about the headcount as at 31 December 2007 is presented in Table no 33.

Table no 33

HEADCOUNT AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
Number of employees	3 042	2 616
Number of full-time jobs	2 987	2 538

Information about the structure of employment as at 31 December 2007 is presented in Table no 34.

Table no 34

STRUCTURE OF EMPLOYMENT AS AT 31 DECEMBER 2007

	Depots and distribution centres	Head office	Total
Number of employees	2 678	364	3 042
Number of full-time jobs	2 632	355	2 987

Information about rotation of personnel as at 31 December 2007 is presented in Table No 35.

<i>Consolidated financial statements of EUROCASH Group</i>			
Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 35

ROTATION OF PERSONNEL IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

	for the period od 01.01.2007 do 31.12.2007	for the period od 01.01.2006 do 31.12.2006
Number of employees hired	1 728	1 264
Number of employees dismissed	(1 302)	(667)
	426	597

NOTE 29

OFF-BALANCE SHEET ITEMS

As at 31 December 2007 the value of contingent liabilities due to granted bank guarantees is of PLN 42.705.235. Detailed specification is presented in Table no 36.

Table no 36

CONTINGENT LIABILITIES DUE TO GRANTED BANK GUARANTEES AS AT 31 DECEMBER 2007

Guarantee for	Title	cy	as at 31.12.2007	as at 31.12.2006
1. TULIPAN	payables concern distrubution center	EUR*	3 402 900	3 639 640
2. Hewlett Packard	payables concern computer hardware	PLN	1 302 335	2 344 205
3. ELTA	payables concern Suwalki store	PLN	-	74 264
			4 705 235	6 058 109

* converted at an average rate of NBP as at 31 December 2007 = 3,5820

NOTE 30

FINANCIAL RISK MANAGEMENT

a. General information

The Group's activities expose it to a variety of financial risk listed below:

- credit risk,
- liquidity risk,
- market risk.

This note presents the overall information about the exposition to those risks and also describes the Group's objectives, policy and procedures related to financial and capital risk management. All the sufficient data is disclosed in these consolidated financial statements.

The Management Board is responsible for an assignment and accomplishment of the risk management policy. In order to do that, the Management Board called the risk management team that is responsible for

<i>Consolidated financial statements of EUROCASH Group</i>			
Financial statements period:	<i>01 January – 31 December 2007</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

building and monitoring of the mentioned policy. The team report directly to the Management Board on a regular basis.

The risk management team has been called in order to identify and analyse all the risks on the financial performance of the Group, to define suitable limits and control indicators and also to monitor the limit deviations. The policy and the overall risk management program are analysed on a regular basis due to continuous changes of the market conditions and the Group's operations. By the qualifications increase, standards and procedures adoption the Group aims for disciplined and positive environment in which all the employees understand their role and duties.

There is an internal audit department within the Group's structure. A part of the responsibilities range of the department is to control the implementation of the risk management principles and procedures. The audit department shall conduct all the controls according to the plan as well as any ad hoc ones.

b. Credit risk

Credit risk is most simply defined as the potential that a customer or a counterparty will fail to meet its obligations in accordance with agreed terms which results in a financial loss of the Group.

In addition, credit risk may be connected with the Group's trade receivables and financial investments.

The below table (Table no 37) presents the Group's maximum credit risk exposure.

<i>Table no 37</i>	as at	as at
in PLN thousand	31.12.2007	31.12.2006
Accounts receivable and loans	235 107	184 591
Cash and cash equivalents	131 461	41 247
	366 568	225 838

Trade receivables and other receivables

Credit risk related to the Group's trade receivables may differ significantly depending on the customer group:

- cash transactions determine more than 90% of sale of all the warehouses therefore is not burdened by credit risk,
- sale of marketing services to suppliers (promotions, leaflets, folders etc.) is burdened by minor credit risk as the related receivables are discounted from their obligations,
- sale of the FMCG goods to the Group's subsidiary, i.e. KDWT S.A.; although there is a relatively significant amount of the overdue trade receivables, credit risk is considered as moderate.

In case of the overdue receivables the Group uses dunning letters on a regular basis, takes legal action and writes off bad debts if necessary.

The below table (Table no 38) presents aged debtor analysis and the write-offs.

Consolidated financial statements of EUROCASH Group			
Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 38

AGEING OF TRADE RECEIVABLES

	Trade receivables gross as at 31.12.2007	Bad debts allowance as at 31.12.2007	Trade receivables gross as at 31.12.2006	Bad debts allowance as at 31.12.2006
0-30 days	154 795 893	-	152 391 896	-
31-90 days	39 923 541	-	6 675 623	2 108 702
91-180 days	23 907 803	-	5 631 305	2 225 851
> 180 days	7 636 391	6 149 638	2 776 378	2 776 378
	226 263 628	6 149 638	167 475 202	7 110 931

Table no 39

Bad debts allowance

	for the period from 01.01.2007 to 31.12.2007	for the period from 01.01.2006 to 31.12.2006
Balance as at beginning of the period	7 110 931	986 228
Increases	7 494 482	9 146 026
Decreases	(8 455 775)	(3 021 323)
Balance upon changes	6 149 638	7 110 931

Investments

The Group only deals with the reputable financial institutions in case of cash and cash equivalent placement.

Guarantees

The Group grants only related parties and the most significant for its operations counterparties with the guarantees. As at 31 December 2007 the Group no receivables are reported from guarantees granted.

c. Liquidity risk

Liquidity risk is the risk stemming from the lack of possibility to settle the financial liabilities when they are due.

The liability risk management policy postulates to maintain sufficient cash in order to allow the financial and investment liabilities to be settled when they are due for payment with respect of the Group's reputation and loss avoidance.

Liquidity management focuses on a detailed analysis, planning and taking appropriate action within the following fields:

- investments in fixed assets,
- working capital.
- net debt.

The continuous risk management in the above areas and the Group's market and financial position allows to state that the risk of liquidity loss is obtained at a minimum level.

The below tables (Table no 40 and 41) present the carrying amounts of the Group's liabilities classified due to the settlement periods overriding any compensation agreements.

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

Table no 40

AS AT 31 DECEMBER 2007

	Net book value < 12 months		1-5 years	over 5 years
Financial lease liabilities	13 743 242	2 520 587	3 756 544	7 466 111
Trade and other liabilities	524 458 385	524 458 385	-	-
Bank overdrafts	73 148 384	73 148 384	-	-
	611 350 011	600 127 356	3 756 544	7 466 111

Table no 41

AS AT 31 DECEMBER 2006

	Net book value < 12 months		1-5 years	over 5 years
Financial lease liabilities	15 270 653	2 669 792	9 862 187	2 738 674
Trade and other liabilities	395 851 196	393 351 197	2 499 999	-
Bank overdrafts	73 502 624	73 502 624	-	-
	484 624 473	469 523 613	12 362 186	2 738 674

Market risk

Market risk is connected with key factors changes, i.e. demand, supply and prices as well as any other factors that may affect the Group's performance or possessed assets value like exchange rates, interest rates, prices of the capital. Therefore the market risk management focuses on the risk exposure maintenance at a level that is acceptable by the Group and return on risk optimisation at the same time.

Currency risk

As the Group conducts most of its transactions in the local currency, currency risk is not considered as a relevant threat.

Interest rate risk

As the Group has no significant interest-bearing assets, the Group's performance is considered as independent of changes in market interest rates.

The below table (Table no 42) presents the Group's maximum exposure to interest rate risk through the analysis of the financial instruments classified on a basis of fixed and changeable interest rates.

Table no 42

FLOATING AND FIXED INTEREST RATE INSTRUMENTS

	Present value 31.12.2007	Present value 31.12.2006
<i>in PLN thousand</i>		
Fixed interest rate instruments		
Financial assets	-	-
Financial liabilities	13 743	15 271
Floating interest rate instrument		
Financial assets	146 444	65 474
Financial liabilities	92 256	98 163

Consolidated financial statements of EUROCASH Group			
Financial statements period:	01 January – 31 December 2007	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

The Group does not possess any financial instruments with fixed interest rate valued at fair value through profit and loss and has not designated any derivatives (interest rate swaps) as the fair value securities. There are also no financial instruments with fixed interest rate that are presented as equity, therefore any change of interest rates will not affect the equity valuation.

The Group conducted the sensitivity analysis of financial instruments with changeable interest rate to hypothetical changes in market interest rates. The analysis assumed that all other factors are constant (exchange rates for instance). The analysis has been conducted for the current and comparable period i.e. 2006. The below table (Table no 43) shows the effect of interest rate increase and decrease of 100 bp to profit and loss and equity.

Table no 43

**FINANCIAL INSTRUMENTS'
SENSITIVITY ANALYSIS**

in PLN thousand	Income statement		Equity	
	increases 100bp	decreases 100bp	increases 100bp	decreases 100bp
31 December 2006	54	(54)	-	-
31 December 2007	(327)	327	-	-

d. Capital risk management

The main assumption of the Group's capital risk management policy is to maintain a strong capital base that will build the trust of the Group's investors, creditors and the market and also will strengthen the future development.

The Group controls changes within shareholders structure, return on equity indexes and dividend payments to shareholders. The aim is to achieve such a level of the return on equity and dividend payment that would satisfy the shareholders.

In the reporting period there were no amendments to the objectives, principles and processes in this field.

e. Fair value estimation

The below table (Table no 44) presents the components fair value in comparison with their carrying amounts.

Table no 44

FAIR VALUES

in PLN thousand	Net book value	Fair value	Net book value	Fair value
	31.12.2007	31.12.2007	31.12.2006	31.12.2006
Assets	366 568	366 568	225 838	225 838
Trade and other receivables	235 107	235 107	184 591	184 591
Cash and cash equivalents	131 461	131 461	41 247	41 247
Liabilities	(611 350)	(611 350)	(484 625)	(469 354)
Credits	(73 148)	(73 148)	(73 503)	(73 503)
Financial lease liabilities	(13 743)	(13 743)	(15 271)	*
Trade and other liabilities	(524 458)	(524 458)	(395 851)	(395 851)
	(244 782)	(244 782)	(258 787)	(243 516)

<i>Consolidated financial statements of EUROCASH Group</i>			
Financial statements period:	<i>01 January – 31 December 2007</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

* The Group does have – and therefore does not use – any tool to calculate the fair value of the liabilities under the lease agreements automatically. In consequence, the fair value of this group of the liabilities is measured only once a year, at the balance sheet day.

In the Management Board's opinion the assets and liabilities carrying amount reflects their fair value.

NOTE 31

POST-BALANCE SHEET DATE EVENTS

On 4 March 2008 KDWT S.A. sold the ownership of terminals placed in the entity's retail outlets to PayUp Polska S.A., the rights stemmed from the agreement between KDWT S.A. and Alphyra Polska Sp. z o.o. and mobile phones operators regarding EJD distribution for total net amount of 5.429.600 PLN. Additionally, KDWT S.A. pledged not to offer in their outlets any other services carried out through terminals.

On 10 April 2008 the President of the Office of Competition and Consumer Protection agreed for an acquisition of shares of McLane Polska Sp. z o.o. based in Błonie. Further to that and according to the established development strategy, the suitable acquisition agreement was signed on 17 April 2008.

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

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President	Luis Amaral	23 April 2008	
Management Board Member Chief Executive Officer	Rui Amaral	23 April 2008	
Management Board Member Chief Financial Officer	Arnaldo Guerreiro	23 April 2008	
Management Board Member Sales Director	Pedro Martinho	23 April 2008	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	23 April 2008	
Management Board Member IT Director	Ryszard Majer	23 April 2008	

EUROCASH GROUP

REPORT OF THE MANAGEMENT BOARD

FOR THE PERIOD FROM 1st JANUARY 2007 TO 31st DECEMBER 2007

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, 23th April 2008

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1 Management discussion of the financial results of the Eurocash Group for 2007

1.1 Eurocash Group: Key financial and operational highlights in 2007

Eurocash Group operations consisted in 2007 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).
- Sales of tobacco and impulse products by KDWT S.A. ("KDWT") - active distribution.
- Other – franchise services to the Delikatesy Centrum franchise stores (Eurocash Franszyza Sp. z o.o.) and real estate services (Eurocash Detal Sp. z o.o.)

Table 1 Summary of consolidated financial results for 2007

PLN million	2007	2006	change 2007 / 2006
Sales revenues	4 729,87	3 236,98	46,12%
Gross profit/(loss) on sales (Gross profitability on sales %)	423,70 8,96%	306,19 9,46%	38,38% -0,50p.p.
EBITDA (EBITDA margin%)	122,46 2,59%	87,27 2,70%	40,32% -0,11p.p.
EBIT (EBIT margin%)	86,78 1,83%	55,22 1,71%	57,16% 0,13p.p.
Gross profit	75,03	54,13	38,61%
Net income Net profitability %	58,88 1,24%	41,57 1,28%	41,63% -0,04p.p.

Consolidated sales of Eurocash Group in 2007 amounted to PLN 4 729,87m and increased by 46,12% comparing with 2006. Gross margin on sales amounted to 2,59%. The blended profitability ratios of Eurocash Group are lower than the stand-alone Eurocash S.A. ratios due to lower profitability of tobacco sales realized by KDWT. The level of margins realized by KDWT is typical for tobacco distribution business.

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

Eurocash Discount Cash&Carry stores:

- In 2007 sales of Eurocash Discount Cash&Carry stores amounted to PLN 2 116,57m and increased by 14.86% comparing with 2006.
- LFL sales growth (same number of stores) in Eurocash Discount Cash&Carry stores in 2007 amounted to 12.9%. LFL sales growth for in 2006, 2005 and 2004 amounted respectively 5.9%, 5.5% and 16.4%.
- Without categories of tobacco and phone cards, the LFL sales growth in Cash&Carry stores in 2007 amounted to 14.20%. The adjusted LFL sales growth for 2006, 2005 and 2004 amounted respectively 5.2%, 2.5% and 16.6%.
- Number of Eurocash Discount Cash&Carry stores amounted to 102 at the end of 2007.
- Number of abc stores amounted to 2 494 at the end of 4Q 2007.
- In 2007 share of abc stores in total sales of Discount Cash & Carry stores amounted to 43.5%.
- Sales to abc shops in 2007 increased by 20,8% comparing with 2006.

Delikatesy Centrum Distribution Centers:

- Wholesale sales realized by "Delikatesy Centrum" Distribution Centers in 2007 amounted to PLN 492.92m. Sales realized by "Delikatesy Centrum" Distribution Centers from 16.08.2006 to 31.12.2006 amounted to PLN 135,8m.
- LFL growth of the wholesale sales to "Delikatesy Centrum" franchise stores in 2007 r amounted to 32,6%.
- LFL growth of the retail sales of "Delikatesy Centrum" franchise stores in 2007 r amounted to 24,2%.
- Number of "Delikatesy Centrum" franchise stores at the end of 2007 amounted to 295.

KDWT - Active Distribution:

- In 2007 total sales of KDWT amounted to PLN 2 266,70m comparing with PLN 1 728,91m in 2006 and increased by 31,11%.
- Growth of sales in food category in 2007 amounted to 86,6% comparing with the same period 2006.
- In terms of volume, sales of cigarettes in 2007, increased by 15,7% and exceeded 8 309m pcs.
- Number of KDWT branches as of the end 2007 amounted to 79 plus 3 distribution Centers

1.2 Profit and loss account

Table 2 Group sales analysis for 2007

PLN million	2007	2006	change 2007 / 2006
Sales revenues of Eurocash Group including	4 729,87	3 236,98	46,12%
<i>Sales in Discount Cash & Carry stores</i>	2 116,57	1 842,69	14,86%
<i>Sales of "Delikatesy Centrum" Distribution Centers</i>	492,92	135,76	263,08%
<i>KDWT sales</i>	2 266,70	1 728,91	31,11%
<i>Sales of other companies</i>	30,93	8,45	265,88%
<i>Consolidation adjustment</i>	(117,67)	(114,48)	55,19%
Number of operating Discount Cash&Carry stores (eop)	102	96	6
Number of „Delikatesy Centrum” franchise stores (eop)	295	235	60
Number of KDWT branches (eop)	79	64	15

Table 3 Eurocash Group: costs analysis for 2007

PLN million	2007	2006	change 2007 / 2006
Gross profit/(loss) on sales <i>(Gross profitability on sales %)</i>	423,70 8,96%	306,19 9,46%	38,38% -0,50p.p.
Costs of sales <i>(as % of sales)</i>	(225,44) 4,77%	(169,31) 5,23%	33,15% -0,46p.p.
Costs of general management <i>(as % of sales)</i>	(105,74) 2,24%	(77,02) 2,38%	37,28% -0,14p.p.
Profit/loss on sales <i>(as % of sales)</i>	92,52 1,96%	59,86 1,85%	54,57% 0,11p.p.
Other operating income	12,32	8,18	50,62%
Other operating costs	(18,06)	(12,82)	40,90%
Operating profit – EBIT <i>(EBIT margin %)</i>	86,78 1,83%	55,22 1,71%	57,16% 0,13p.p.
Depreciation	35,69	32,06	11,32%
EBITDA <i>(EBITDA margin %)</i>	122,46 2,59%	87,27 2,70%	40,32% -0,11p.p.

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

Also in 2007 results have been significantly influenced by costs of the stock-option programs for Eurocash Group employees and programs related to acquisition of KDWT and Delikatesy Centrum. The total cost of the stock-option programs accounted in 2007 amounted to PLN 4.85 million comparing with PLN 2.15 million in 2006.

1.3 Cash flow

Table 4 Eurocash Group: Cash flow for 2007

PLN million	2007	2006
Operating cash flow	185,27	34,99
<i>Gross profit (loss)</i>	75,03	54,13
<i>Depreciation</i>	35,69	32,06
<i>Change in working capital</i>	84,99	(40,32)
<i>Other</i>	(10,44)	(10,87)
Cash flow from investments	(61,80)	(68,49)
Cash flow from financing activities	(33,25)	(24,30)
Total cash flow	90,21	(57,80)

Total consolidated cash flow of Eurocash Group in 2007 amounted PLN 90.21 million.

1.4 Working capital ratios

Table 5 Eurocash Group: Working capital ratios flow for 2007

Turnover in days	2007	2006
1. Inventories turnover	17,4	23,6
2. Trade receivables turnover	17,0	18,1
3. Trade liabilities turnover	42,8	46,2
4. Operating cycle (1+2)	34,3	41,7
5. Cash conversion (4-3)	(8,5)	(4,5)

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

Ratios definitions

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

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

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

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

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

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

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

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

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

1.5 Structure of the assets and equity & liabilities

The volume of fixed and current assets, equity, liabilities and provisions for liabilities, as well as their share in the total value of assets is presented in the table below:

Table 6 Eurocash Group: Structure of assets

	PLN million	31.12.2007	%	31.12.2006	%
Fixed assets (long-term)		278,28	32,00%	262,00	37,53%
Goodwill		33,82	3,89%	33,82	4,84%
Intangible fixed assets		121,51	13,97%	117,19	16,79%
Tangible fixed assets		121,04	13,92%	108,99	15,61%
Investment real estate		-	-	0,05	0,01
Long-term receivables		1,87	0,22%	1,59	0,23%
Long-term prepayments		0,04	0,01%	0,35	0,05%
Current assets (short-term)		591,45	68,00%	436,12	62,47%
Inventories		224,86	25,85%	209,54	30,02%
Trade receivables		220,11	25,31%	160,36	22,97%
		0,01	0,00%	-	-
Other short-term receivables		0,01	1,51%	22,64	3,24%
Cash and cash equivalents		131,46	15,12%	41,25	5,91%
Short-term prepayments		1,89	0,22%	2,32	0,33%
Total assets		869,73	100,00%	698,12	100,00%

Table 7 Eurocash Group: Structure of liabilities

PLN million	31.12.2007	%	31.12.2006	%
Total Equity	233,39	26,84%	199,03	27,87%
Share capital	127,74	14,69%	127,74	21,70%
Reserve capital	47,11	5,42%	29,06	4,94%
Retained profits	58,54	6,73%	36,54	6,21%
Long-term liabilities	16,89	1,94%	19,23	2,69%
Other long-term financial liabilities	11,22	1,29%	12,73	1,82%
Other long-term liabilities	-	-	2,50	0,36%
Deferred income tax provision	5,37	0,62%	3,49	0,50%
Provision for employee benefits	0,29	0,03%	0,50	0,05%
Other long-term provisions	-	-	-	-
Short-term liabilities	619,44	71,22%	479,86	68,76%
Short-term loans and credits	73,15	8,41%	73,50	10,53%
Other short-term financial liabilities	2,52	0,29%	2,54	0,36%
Trade liabilities	505,35	58,10%	371,19	53,17%
Current income tax liabilities	3,13	0,36%	3,54	0,51%
Other short-term liabilities	15,97	1,84%	18,75	2,67%
Provisions related to employees' benefits	11,25	1,29%	10,34	0,75%
Other short-term settlements	8,07	0,93%	5,40	0,77%
Liabilities and provisions	636,33	73,16%	499,09	71,49%
Total liabilities and equity	869,73	100,00%	698,12	100,00%

1.6 Evaluation of financial resources management

Eurocash Group generates significant positive cash flows from operating activities. All major investments realised in 2007 were financed from own financial resources.

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

Liquidity risk

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

Currency risk

Eurocash Group revenues and costs are predominately denominated in PLN.

1.7 Assessment of the possibility of executing the planned investments

Major investments planned in 2008 are related to

- opening of app. 6-10 new Eurocash Discount Cash & Carry stores.
- acquisition of 100% shares in McLane Polska Sp z o.o.

In order to finance the aforementioned investments, Eurocash Group intends to use the cash generated by the company and bank debt.

In case of decision upon realisation of other significant potential investments, in the opinion of the Company's Management, the Eurocash Group has sufficient debt capacity to finance such potential investments.

1.8 Significant events and factors affecting the 2007 financial results of the Eurocash Group

There have been no significant events that influenced Eurocash Group income or loss in 2007.

2 Eurocash Group development perspectives

2.1 Eurocash Group business overview

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

- **Eurocash S.A.** – which business comprised in 2007 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 2007, the network counted 102 Discount Cash & Carry points, located across all of the country's 16 voivodships. The Eurocash wholesale network serves over 80,000 customers mainly in small and medium-sized towns (over 25,000 inhabitants).

At the end of 2007 the abc franchise chain comprised of 2 494 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.

Delikatesy Centrum is 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 295 franchise stores.

KDWT with over 79 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.

On April 17th 2008 Eurocash S.A. ("the Company") and McLane International LLC (the „Seller”) executed an agreement to sale 100% shares in McLane Polska sp. z o.o. („McLane Polska”) to the Company in exchange for cash payment.

In addition, the Company has undertaken to issue and offer to the Seller shares in the Company at an aggregate value equivalent to 5.000.000 USD, calculated based on the issue price of the shares, which shall be equivalent to the weighted average closing price of the Company shares on the Warsaw Stock Exchange (Giełda Papierów Wartościowych S.A.) within 20 session days following the execution of share sale agreement.

McLane is a leading wholesaler of FMCG (fast-moving consumer goods) on the Polish market, with annual turnover reaching 1.0 billion PLN. It operates three distribution centers: in Błonie near Warsaw, Czeladź and Gdynia as well as 11 transfer warehouse facilities spread across Polish territory. McLane Polska specializes in the active distribution of food, impulse products and cigarettes to petrol station

networks, restaurants and food stores, including, in particular, about 300 retail outlets all over Poland, being part of the franchise network operated by McLane Polska under the IGA brand.

The logistic capabilities of McLane Polska and its trading relations with the retail outlets of the IGA franchised network should have a positive impact on the growth capability of the "Delikatesy Centrum" franchised network operated by Eurocash S.A.

2.2 Sales structure

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

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

Product groups	2007	%	2006	%
Dry groceries	562,63	22,07%	377,30	19,6%
Fresh food and fat	390,48	15,32%	306,90	15,9%
Canned food and drinks	333,97	13,10%	251,05	13,0%
Beverages and tobacco	959,18	37,62%	734,06	38,1%
Chemicals and hygiene products	218,33	8,56%	172,27	8,9%
Other	85,41	3,33%	85,44	4,4%
Total	2 549,99	100,0%	1 927,01	100,0%

Table 9 KDWT: sales by groups of products

Product groups	Total 2007	udział	Total 2006	udział
Tobacco	1 737,86	80,8%	1 264,99	78,9%
Pre-paid cards	154,85	7,2%	177,50	11,1%
Pharmaceuticals	7,60	0,4%	7,09	0,4%
Food impulse products	56,04	2,6%	30,03	1,9%
Chemicals and hygiene products	115,56	5,4%	12,29	0,8%
Other	181,64	3,6%	111,94	7,0%
Total	2 253,54	100,0%	1 603,83	100,0%

Besides offering well-known brands, Eurocash Group also markets products available exclusively in its chain; the sales of such products account for 12,19% 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. 500. The brand product suppliers (key FMCG manufacturers and importers) are selected based on their respective market shares, brand significance, and coverage of respective product segments.

2.4 Economic environment & market trends

Eurocash Group 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 value of the FMCG market in Poland in 2006 according to GfK Polonia was estimated at PLN 162 billion (including main and alternative channels sales). 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 12.5%.

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 and probably at least until 2010 it will remain more important than the modern channel (hypermarkets, supermarkets and discount stores).

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

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

2.5 Eurocash Group 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 Group 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**: like-for-like growth through ever-improving implementation of its concept in existing outlets and regional expansion.

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 **2 494** 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.

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 **102** 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 Group 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

"Delikatesy Centrum" franchise chain together with wholesale supply within Eurocash Group Has a number of development opportunities in particular by:

- competitive purchasing terms for the assortment of Delikatesy Centrum supplied by Eurocash,
- broad marketing assistance for the stores belonging to "Delikatesy Centrum" franchise chain
- country-wide expansion of "Delikatesy Centrum" franchise.

2.5.4 McLane Polska Sp. z o.o.

The acquisition of McLane Polska will enable the Eurocash Group to accelerate growth in active product distribution to customers McLane Polska is the market leader in supply of impulse products to gasoline stations and in Food Service, which are new market segments for Eurocash Group. The acquisition will also expand the retail franchise portfolio operated by the Eurocash Group, with the chain of some 300 IGA supermarkets operated by McLane Polska across Poland.

2.6 External and internal factors significant for the development of Eurocash

External Factors:

Growth in the FMCG market and its structure.

The Company expects further growth of modern distribution channels; its unfavourable impact on company's income will be compensated by growth of the FMCG market in absolute terms and 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 Company's profit and loss.

Labour costs.

Potential pressure on labour costs could in medium term negatively influence the Company's profit and loss. However, potential of growing wages and salaries impacts the whole Polish market. As the Company sales are realised only in Poland, its competitive situation should remain unchanged due to this factor.

Internal Factors :

Integration of McLane Polska operations

Due to necessity of integration of McLane Polska on the operational level, in the opinion of the Management Board of Eurocash achievement of the full synergy effects resulting from this transaction will be possible within 1-2 years.

New business formats

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

Organic expansion

Management of Eurocash Group expects, that during 2007:

- number of Eurocash cash & carry stores will increase by app. 6-10 stores
- number of Delikatesy Centrum franchise stores will increase by app. 60-70 stores.

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 2007 the prevailing form of FMCG retail distribution was a traditional distribution channel with approx. 50% share. Such high share (as compared to other European countries) results from a low concentration of population in the area of the country and bad housing conditions, stimulating more frequent purchases. This situation is advantageous for the Eurocash Group for which small and mid-sized shops located off large agglomerations are the most relevant group of customers. A growth in the share of modern distribution will reduce the potential market of the Eurocash Group business.

The structure of the traditional FMCG distribution channel. Competition

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

Internal factors

IT systems

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

New investments

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

Suppliers

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

3 Additional information

3.1 Major investments

In 2007 the major investments of Eurocash S.A. have been related to modernization and remodeling of Eurocash Cash&Carry stores as well as with development of Delikatesy Centrum franchise chain.

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 2007 Eurocash Group companies did not entered into any significant agreements regarding taking or granting sureties for a credit, loans or guarantees.

In 2007 Eurocash Group companies did not issue, acquire or repay debt or capital securities.

3.4 Forecasts

The Management Board of Eurocash S.A. has not published financial forecasts for 2008.

3.5 Changes in the basic management principles

In 2007 no changes in the basic management principles took place.

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

In 2007 no changes in the composition of Supervisory Board or Management Board took place.

On 3 March 2008, Mr. Roman Piątkiewicz resigned from the Management Board of the parent company.

On 3 March 2008, Mr. Roman Piątkiewicz resigned from the function of the President of the Management Board of KDWT S.A.

On 3 March 2008, Mr. Mieczysław Kuśnierczak resigned from the function of the Vice-president of Management Board of KDWT 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 2007

Information on remuneration paid to the members of the Management Board and the Supervisory Board in 2007 is provided in the part of annual report containing the annual consolidated financial statements in note no 27.

3.9 Structure of main capital deposits and capital investments made within Eurocash Group in 2007

Information on structure of main capital deposits and capital investments made within Eurocash Group in 2007 is provided in additional information to the annual consolidated financial statements in note no 9a.

3.10 Organization of the Eurocash Group

Information on organization of the Eurocash Group is provided in additional information to the annual consolidated financial statements in paragraph no 1.6.

3.11 Significant off-balance sheet items

Information on Significant off-balance sheet items of the Eurocash Group is provided in additional information to the annual consolidated financial statements in note no 27.

3.12 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.

3.13 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.

3.14 System for controlling employee share option schemes

Below we present the summary of motivation schemes based on issue of Eurocash S.A. shares.

Table 9 Motivations schemes based on issue of Eurocash S.A. shares

No.	Legal basis	Number and series of shares	Set or estimated issue price*	Exercise period i
1.	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	Up to 3.193.550 Series B Shares	2,71 zł (Issue price as Publisher in current report no 17/2007)	01.01 - 31.12 2008
		Up to 3.193.550 Series C Shares	4,62 zł = average share price in November 2005 (5,01 zł) adjusted by dividends paid (currently 0,39 zł)	01.01 - 31.12 2009
2.	Resolution No 17 of the Ordinary Shareholders' Meeting of "EUROCASH" S.A. of April 25, 2006 concerning the 2006 KDWT Incentive Scheme	Up to 830.000 Series D Shares	4,82 zł	01.04.2009 - 1.04.2010
3.	Resolution No 19 of the Ordinary Shareholders' Meeting of "EUROCASH" S.A. of April 25, 2006 concerning the Third Employees Incentive Scheme	Up to 1.596.775 Series E Shares	8,47 zł = average share price in November 2006 (8,70 zł) adjusted by dividends paid (currently 0,23 zł)	01.01.2010 - 31.12 2012
4.	Resolution No 17 of the Ordinary Shareholders' Meeting of Eurocash S.A. of June 28, 2007 concerning the 2007 Delikatesy Centrum Incentive Scheme	Up to 537.636 Series F Shares	6,51 zł	17.08.2009 – 17.08 2010
5.	Resolution No 18 of the Ordinary Shareholders' Meeting of Eurocash S.A. of June 28, 2007 concerning the Fourth and Fifth Employees Incentive and Reward Schemes for 2007 and 2008	Up to 1.020.000 Series G Shares	Average share price in November 2007 (10,75 zł) adjusted by dividends paid	01.01.2011 - 31.12 2013
		Up to 1.020.000 Series H Shares	Average share price in November 2008 adjusted by dividends paid	01.01.2012 - 31.12 2014

* weighted average price of Eurocash shares on the Warsaw Stock Exchange in November of a given year, adjusted by the rights attached to shares (e.g. dividends) known as of 31.12.2007.

3.15 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.

3.16 Information on the registered audit company

The consolidated financial statement of Eurocash Group for 2007 has been audited by KPMG Audyt Sp. z o.o. on the basis of a contract concluded on 24.05.2007 r. The consolidated financial statement of Eurocash Group for 2006 was 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 separate and consolidated financial statements and for other services are presented below:

	PLN '000	2007	2006
Audit of financial statements		128,0	110,0
Review of financial statements		67,0	65,0
Other services		0,0	0,0
Total		195,0	175,0

4 Representations of the Management Board

4.1 Accuracy and reliability of the reports presented

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

- the consolidated annual financial statements and comparable data have been drawn up in accordance with the applicable accounting principles and give a true and fair view of the economic and financial position of Eurocash Group and of the results of its operations,
- the report of the Management Board on the business activities of Eurocash Group in 2007 contains a true views of the development, achievements and position of Eurocash Group, including a description of main risks and threats.

4.2 Appointment of the entity qualified to audit financial statements

The members of the Management Board of Eurocash S.A. represent that, KPMG Audyt Sp. z o.o., the entity qualified to audit financial statements, which audited the annual consolidated financial statements of Eurocash S.A. group, 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	23 April 2008	
Management Board Member Chief Executive Officer	Rui Amaral	23 April 2008	
Management Board Member Financial Executive Officer	Arnaldo Guerreiro	23 April 2008	
Management Board Member Sales Director	Pedro Martinho	23 April 2008	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	23 April 2008	
Management Board Member IT Director	Ryszard Majer	23 April 2008	

Eurocash S.A.

Compliance with Corporate Governance Rules in 2007

Komorniki, April 23rd 2008

The Management Board of Eurocash S.A. ("**Eurocash**") hereby submits the following information on the compliance with corporate governance rules in 2007.

I. General

In 2007, Eurocash complied with all corporate governance rules included in "Best Practices in Public Companies 2005".

II. General Shareholders Meeting's Operations and Key Powers; Shareholders' Rights and Exercise Thereof

2.1. General Shareholders Meeting

The General Shareholders Meeting's rules of procedure and key powers are defined in Art. 393–429 of the Commercial Companies Code of September 15th 2000, as amended, Par. 15 and 16 of the Company's Articles of Association ("**the Articles of Association**"), and the Rules of Procedure for the General Shareholders Meeting dated November 22nd 2004, as amended ("**the GM By-laws**"), available on the Company's website:

<http://www.eurocash.com.pl/Dlainwestorów/Ladkorporacyjny/tabid/67/Default.aspx>.

The General Shareholders Meeting's key powers include:

- 1) Appointment and removal of two members of the Supervisory Board (Par. 13.3 of the Articles of Association);
- 2) Adoption of resolutions in the matters listed in Par. 16.1 of the Articles of Association;
- 3) Determination of the rules for and amounts of remuneration of Supervisory Board members (Par. 14.6 of the Articles of Association);
- 4) Adoption of the GM By-laws (Par. 15.5 of the Articles of Association);
- 5) Approval of the Supervisory Board By-laws (Par. 13.8 of the Articles of Association);
- 6) Removal or suspension in duties of Management Board members (Par. 9.2 of the Articles of Association).

In 2007, the Company's General Shareholders Meeting was held once; the Meeting commenced at the Company's offices on June 28th 2007 and, after adjournment, continued on July 26th 2007.

2.2. *Shareholders*

The shareholders' key rights under the Commercial Companies Code and the Articles of Association include:

- 1) Right to dividend (the manner of exercising this right is regulated in Art. 347–349 of the Commercial Companies Code, as well as Par. 6.8 and Par. 7 of the Articles of Association);
- 2) Right to participate in, and exercise voting rights at, the General Shareholders Meeting (the manner of exercising this right is regulated in Art. 406 and Art. 411–416 of the Commercial Companies Code, as well as Par. 16.4 of the Articles of Association);
- 3) Pre-emptive rights to new shares in the Company (the manner of exercising this right is regulated in Art. 436 of the Commercial Companies Code);
- 4) Right to participate in the distribution of the Company's assets on its liquidation (the manner of exercising this right is regulated in Art. 474 of the Commercial Companies Code and Par. 6.8 of the Articles of Association);
- 5) Rights connected with the retirement of shares (the manner of exercising this right is regulated in Art. 359–360 of the Commercial Companies Code and Par. 19 of the Articles of Association);
- 6) Right to dispose of the shares held and encumber the shares held with a pledge or usufruct (the manner of exercising this right is regulated in Art. 337 and Art. 340 of the Commercial Companies Code);
- 7) Right to inspect the Share Register and demand delivery of an excerpt from the Share Register (the manner of exercising this right is regulated in Art. 341 of the Commercial Companies Code);
- 8) Right to appoint members of the Supervisory Board by block voting, upon a motion of shareholders representing at least one-fifth of the share capital (the manner of exercising this right is regulated in Art. 385 of the Commercial Companies Code);
- 9) Right to receive copies of the Management Board Report on the Company's Operations and the Company's financial statements, together with a copy of the Supervisory Board's report and the auditor's opinion (the manner of exercising this right is regulated in Art. 395 of the Commercial Companies Code);
- 10) Right to demand that the General Shareholders Meeting be convened or specific matters be included in the agenda of the next General Shareholders Meeting, upon a motion of shareholders representing at least one-tenth of the share capital (the manner of exercising this right is regulated in Art. 400 of the Commercial Companies Code);

- 11) Right to submit, to the Registry Court, a motion for authorising convening the General Shareholders Meeting if the Management Board fails to convene the General Shareholders Meeting within two weeks from the submission of the request referred to in Art. 400 of the Commercial Companies Code (the manner of exercising this right is regulated in Art. 401 of the Commercial Companies Code);
- 12) Right to inspect the list of the shareholders at the Company's offices and to demand that a copy of the shareholders entitled to participate in the General Shareholders Meeting be prepared, as well as the right to demand that a copy of motions concerning the issues included in the agenda of the General Shareholders Meeting be delivered (the manner of exercising this right is regulated in Art. 407 of the Commercial Companies Code);
- 13) Right to demand that a commission appointed for this purpose should verify the attendance list including the participants of the General Shareholders Meeting, upon a motion of shareholders representing at least one-tenth of the share capital (the manner of exercising this right is regulated in Art. 410 of the Commercial Companies Code);
- 14) Right to challenge, by way of a court action against the Company, a resolution of the General Shareholders Meeting as contradicting the Articles of Association or good practice and harming the Company's interest or designed to harm a shareholder (the manner of exercising this right is regulated in Art. 422 of the Commercial Companies Code);
- 15) Right to institute, against the Company, a court action to declare General Shareholders Meeting's illegal resolution invalid (the manner of exercising this right is regulated in Art. 425 of the Commercial Companies Code);
- 16) Right to demand that, during the General Shareholders Meeting, the Management Board furnish information concerning the Company if so justified by the need to properly assess a matter included in the agenda of the Meeting (the manner of exercising this right is regulated in Art. 428–429 of the Commercial Companies Code);
- 17) Right to institute an action against members of the Company's governing bodies or other persons who have caused damage to the Company (the manner of exercising this right is regulated in Art. 486–487 of the Commercial Companies Code); and
- 18) Right to demand that a shareholder being a commercial company furnish, in writing, information on whether it is a parent or subsidiary company with respect to a specified shareholder being a commercial company or a cooperative (the manner of exercising this right is regulated in Art. 6.4–5 of the Commercial Companies Code).

The shareholders' rights under the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated July 29th 2005 (“**the Public Offering Act**”) include:

- 1) Right to demand that a special-purpose auditor be appointed (the manner of exercising this right is regulated in Art. 84 of the Public Offering Act);
- 2) Rights related to the mandatory buyout of shares (squeeze-out) (the manner of exercising this right is regulated in Art. 82 of the Public Offering Act);
- 3) Rights related to the mandatory sell-out (the manner of exercising this right is regulated in Art. 83 of the Public Offering Act);
- 4) Right to demand restoration of the certificated form of shares (rematerialisation of shares) (the manner of exercising this right is regulated in Art. 91 of the Public Offering Act).

III. Composition and Rules of Procedure of the Company's Management and Supervisory Bodies, and Their Committees

3.1. Management Board

Pursuant to Par. 9.1 of the Articles of Association, the Company's Management Board is composed of 6 (six) members. They are: Mr Luis Manuel Conceicao do Amaral (President of the Management Board), Mr Rui Amaral, Mr Arnaldo Guerreiro, Mr Pedro Martinho, Mr Ryszard Majer, Mr Roman Piątkiewicz and Ms Katarzyna Kopaczewska.

The Management Board's activities are governed by the provisions of Art. 368–380 of the Commercial Companies Code, Par. 9–12 of the Company's Articles of Association and the Management Board By-laws, approved on November 22nd 2004, as amended, available on the Company's website: www.eurocash.com.pl/Portals/0/docs/Regulamin_Zarzadu_Eurocash_2006_POL.pdf.

3.2. Supervisory Board

Pursuant to Par. 13.1 of the Articles of Association, the Company's Supervisory Board is composed of 5 (five) members. They are: Mr João Borges de Assunção (Chairman of the Supervisory Board), Mr Eduardo Aguinaga, Mr António José Santos Silva Casanova, Mr Ryszard Wojnowski, and Mr Janusz Lisowski.

In accordance with Par. 13.4 of the Articles of Association, Mr Ryszard Wojnowski and Mr Janusz Lisowski, being Supervisory Board Members appointed by the General Shareholders Meeting, are **free of any relationship which might materially affect their ability to make unbiased decisions** (are "independent members"). In accordance with Par. 13.2 of the Articles of Association, Mr João Borges de Assunção and Mr António José Santos Silva Casanova, appointed to the Supervisory Board by Politra B.V., have declared that they meet the independence criteria. Thus, four of the five Members of the Company's Supervisory Board are its "independent members".

The Supervisory Board's activities are governed by the provisions of Art. 381–392 of the Commercial Companies Code, Par. 13–14 of the Company's Articles of Association and the Rules of Procedure for the Supervisory Board of November 22nd 2004, as amended ("**the Supervisory Board By-laws**"), available on the Company's

website:

www.eurocash.com.pl/Portals/0/docs/Regulamin_RN_Eurocash_2006_POL.pdf.

3.3. *Committees of the Supervisory Board*

Pursuant to Par. 9 of the Supervisory Board By-laws, the following internal committees of the Supervisory Board operate at the Company:

- 1) the Audit Committee, composed of Mr Eduardo Aguinaga (Chairman), Mr António José Santos Silva Casanova and Mr Ryszard Wojnowski; and
- 2) the Remuneration Committee, composed of Mr António José Santos Silva Casanova (Chairman), Mr Eduardo Aguinaga and Mr Janusz Lisowski.

The rules of procedure of both these committees are regulated in detail in Section VII of the Supervisory Board By-laws.

IV. Basic Features of the Internal Audit and Risk Management Systems Applicable at the Company with respect to the Preparation of Financial Statements

The Company's Management Board is responsible for the internal audit system at the Company and its effectiveness in the preparation of financial statements and periodic reports prepared and published in accordance with the rules stipulated in the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities of October 19th 2005.

The Finance Department, headed by the Chief Financial Officer, is responsible for the preparation of the Company's and its Group's financial statements and periodic reports. Financial data from which the data disclosed in the financial statements and periodic reports are sourced are derived from the monthly financial and management reporting accounts. Upon the accounting closing of each calendar month, the mid- and top-level management jointly analyses the Company's financial results against the budget projections.

In the preparation of the Company's and its Group's financial statements, the key control elements include verification of financial statements by an independent auditor. Auditor's responsibilities include in particular a review of semi-annual financial statements, as well as preliminary and final audits of the separate and consolidated annual financial statements. An independent auditor is appointed by the Company's Supervisory Board. Upon completion of the audit, the financial statements are delivered to the Members of the Supervisory Board who assess the Company's and its Group's financial statements.

A risk management element important in the preparation of financial statements is internal audit performed by the Internal Audit Division. The annual plan of internal audits is created based on the risk assessment for business processes; such assessment is performed by the Internal Audit Director in cooperation with the Management Board. In addition to the scheduled audits included in the plan, non-scheduled audits are performed upon the Management Board's request, as are verification audits covering implementation of recommendations formulated based on findings of the

previous audits. Internal audits conclude with recommendations concerning the streamlining of control mechanisms applicable at the Company and its Group.

The Company's strategy and business plans are reviewed on an annual basis. The Company's and its Group's mid- and top-level management support the budgeting process. The budget and business plan prepared for the next year are adopted by the Management Board and approved by the Supervisory Board. During the year, the Company's Management Board analyses financial performance against the budget, based on the Company's adopted accounting policy.

The Company regularly assesses the quality of the internal audit and risk management systems with respect to the preparation of financial statements. Based on the assessment, the Management Board represents that, as at December 31st 2007, there were no deficiencies in the audit system which could materially affect the system's efficiency in the area of financial reporting.

Legal basis: Art. 29.5 of the Rules of the Warsaw Stock Exchange adopted by the WSE Supervisory Board's Resolution No. 1/1110/2006 of January 4th 2006, as amended; the WSE Management Board's Resolution No. 1013/2007 of December 11th 2007 concerning the definition of the scope and structure of the report on the application of corporate governance rules by companies listed on the WSE; and the WSE Supervisory Board's Resolution No. 18/1176/2007 of October 23rd 2007.