EUROCASH S.A.

SEPARATE 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

CONTENTS

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.

TRANSLATION

Eurocash S.A.

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

The opinion contains 2 pages
The report supplementing the auditor's oppinion
contains 12 pages
Opinion of the independent auditor
and report supplementing the auditor's opinion
on the unconsolidated 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 unconsolidated financial statements of Eurocash S.A. seated in Komorniki, Wiśniowa 11 street ("the Company"), which comprise the balance sheet as at 31 December 2007, with total assets and total liabilities and equity of PLN 689.756.790, the profit and loss account for the year then ended with a net profit of PLN 44.005.260, the statement of changes in equity for the year then ended with an increase in equity of PLN 19.479.550, the cash flow statement for the year then ended with an increase in cash amounting to PLN 94.066.178, and notes to the unconsolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes. The corresponding figures presented are based on the unconsolidated financial statements of the Company 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 Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of these unconsolidated 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 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 unconsolidated financial statements, and whether the unconsolidated financial statements are derived from properly maintained accounting records. 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 about whether the unconsolidated financial statements and the accounting records from which they are derived are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 unconsolidated financial statements of Eurocash S.A. have been prepared and present fairly in all material respects the financial position of the Company 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, are in compliance with the respective regulations and the provisions of the Company's Statute that apply to the Company's financial statements and have been prepared from accounting records, that in all material respects have been properly maintained.

Other Matters

As required under the Accounting Act we also report that the Report on the Company's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 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 unconsolidated 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.

Report supplementing
the auditor's opinion
on the unconsolidated
financial statements
Financial Year ended
31 December 2007

The report supplementing the auditor's opinion
contains 12 pages
Report supplementing the auditor's opinion
on the unconsolidated 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

Contents

1 General

1.1 General information about the Company

1.1.1 Company name

Eurocash S.A.

1.1.2 Registered office

Wiśniowa 11 street
62-052 Komorniki

1.1.3 Registration 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 Tax Office and Provincial Statistical Office registration

NIP number:	7791906082
REGON:	631008941

1.2 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.

1.3 Legal status

1.3.1 Share capital

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

The share capital of the 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 was as follows:

Name of the Shareholder	Number of shares	Voting rights (%)	Nominal value of shares PLN '000	Percentage of share capital (%)
Luis Manuel Conceicao Do Amaral (directly and undirectly)	70 258 100	55,0%	70 258,1	55,0%
ING Nationale-Nederlanden Polska OFE	6 843 714	5,4%	6 843,7	5,4%
Commercial Union - Powszechne Towarzystwo Emerytalne BPH CU WBK	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%

1.3.2 Related parties

The Company is a member of the Eurocash S.A. Group.

1.3.3 Management of the Company

The Management Board is responsible for management of the Company.

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

- Luis Manuel Conceicao Do Amaral – President of the Board,
- Rui Amaral – Member of the Board,
- Arnoldo 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.

1.3.4 Scope of activities

The main business activity listed in the Company's Statute is the wholesales trade.

1.4 Prior period unconsolidated financial statements

The unconsolidated financial statements for the period ended 31 December 2006 were audited by HLB Frąckowiak i Wspólnicy Sp. z o.o. and received an opinion with the following emphasis of matters:

"Without qualifying our opinion, we would like to emphasize that the accompanying financial statements is an unconsolidated financial statement and it should be used primarily for statutory purposes. It should not be the only basis for the assessment of the financial position of the Company, which is the parent Company in Eurosash S.A. Group. Apart from the unconsolidated financial statement, the Company prepares the consolidated financial statement of Eurocash Group in accordance with International Financial Reporting Standards. Therefore, the financial position of the Company should be assessed also in relation to the financial position of Eurocash Group."

The unconsolidated financial statements were approved at the General Meeting on 28 June 2007 where it was resolved to allocate profit for the prior financial year in the amount of PLN 35.879.233,15 and profit for the previous years in the amount of PLN 658.983,39 as follows:

- PLN 29.380.660,00 as dividend amounting to PLN 0,23 per share,
- PLN 7.157.556,54 as reserve capital.

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

The unconsolidated 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.

1.5 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 unconsolidated financial statements comprising: the balance sheet as at 31 December 2007 with total assets and total liabilities and equity of PLN 689.756,8 thousand, the profit and loss account for the year then ended with a net profit of PLN 44.005,3 thousand, the statement of changes in equity for the year then ended with an increase in equity of PLN 19.479,6 thousand, the cash flow statement for the year then ended with an increase in cash amounting to PLN 94.066,2 thousand and notes to the unconsolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

The audited Company prepares its unconsolidated 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 unconsolidated 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 unconsolidated financial statements in the Company's head office during the period from 26 November to 7 December 2007 and from 11 to 29 February 2008.

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements, and whether the unconsolidated financial statements are derived from properly maintained accounting records, based on our audit.

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

2 Financial analysis of the Company

2.1 Summary of the unconsolidated financial statements

2.1.1 Balance sheet

Assets	31.12.2007 zł '000	% of total	31.12.2006 zł '000	% of total
Fixed assets (long-term)	**287 757,5**	**41,8**	**281 940,5**	**47,9**
Goodwill	9 975,6	1,5	9 975,6	1,7
Other intangible fixed assets	94 852,2	13,8	103 052,8	17,5
Tangible fixed assets	107 607,4	15,6	93 562,3	15,9
Investments in subsidiary companies	73 413,0	10,6	73 413,0	12,5
Long-term receivables	1 872,3	0,3	1 588,3	0,3
Long-term prepayments	37,0	0,1	348,5	0,1
Current assets (short-term)	**401 999,3**	**58,2**	**306 698,4**	**52,1**
Invetories	155 654,6	22,5	156 954,6	26,7
Trade receivables	119 047,2	17,3	92 539,2	15,7
Other short-term receivables	6 505,4	0,9	13 979,3	2,4
Other short-term financial assets	-	-	15 950,0	2,7
Cash and cash equivalents	119 156,9	17,3	25 090,7	4,3
Short-term prepayments	1 635,2	0,2	2 184,6	0,4
Total assets	**689 756,8**	**100,0**	**588 638,9**	**100,0**

Liabilities	31.12.2007 zł '000	% of total	31.12.2006 zł '000	% of total
Equity	**212 819,0**	**30,9**	**193 339,4**	**32,9**
Share capital	127 742,0	18,5	127 742,0	21,7
Reserve capital	41 071,7	6,0	29 059,2	4,9
Retained earnings	44 005,3	6,4	36 538,2	6,2
Profit of prior years	-	-	658,9	0,1
Net profit of the current year	44 005,3	6,4	35 879,2	6,1
Liabilities	**476 937,8**	**69,1**	**395 299,5**	**67,1**
Long-term liabilities	**13 116,2**	**1,9**	**16 673,1**	**2,8**
Other long-term financial liabilities	11 103,4	1,6	12 734,9	2,2
Other long-term liabilities	-	-	2 500,0	0,4
Deferred income tax provision	1 799,5	0,3	1 120,6	0,2
Provision for employee benefits	213,3	0,0	317,6	0,1
Short-term liabilities	**463 821,6**	**67,2**	**378 626,4**	**64,3**
Short-term loans and credits	0,1	0,0	14 355,8	2,4
Other short-term financial liabilities	2 504,8	0,4	2 535,8	0,4
Trade liabilities	424 852,4	61,5	329 365,4	56,0
Current income tax liabilities	2 864,9	0,4	3 537,0	0,6
Other short-term liabilities	17 104,7	2,5	18 661,6	3,2
Provision for employee benefits	9 265,3	1,3	4 926,7	0,8
Other short-term accruals	7 229,4	1,1	5 244,1	0,9
Total liabilities	**689 756,8**	**100,0**	**588 638,9**	**100,0**

2.1.2 Profit and loss account

	1.01.2007 - 31.12.2007 zł '000	% of total sales	1.01.2006 - 31.12.2006 zł '000	% of total sales
Net revenue	**2 609 900,1**	**100,0**	**1 978 448,4**	**100,0**
Net revenue of sold goods	2 549 993,1	97,7	1 927 011,6	97,4
Net revenue of services	59 907,0	2,3	51 436,8	2,6
Costs of sold goods	**(2 283 827,0)**	**87,5**	**(1 720 857,2)**	**87,0**
Costs of sold goods	(2 283 827,0)	87,5	(1 720 857,2)	87,0
Gross profit on sales	**326 073,1**	**12,5**	**257 591,2**	**13,0**
Distribution expenses	(175 930,1)	6,7	(140 272,0)	7,1
Administrative expense	(80 867,1)	3,1	(66 639,9)	3,4
Profit on sales	**69 275,9**	**2,7**	**50 679,3**	**2,6**
Other operating income	11 076,5	0,4	6 658,6	0,3
Other operating expenses	(16 105,6)	0,6	(11 314,3)	0,6
Operating profit	**64 246,8**	**2,5**	**46 023,6**	**2,3**
Financial income	1 858,7	0,1	4 463,6	0,2
Financial expenses	(9 358,2)	0,4	(4 006,8)	0,2
Profit before tax	**56 747,3**	**2,2**	**46 480,4**	**2,4**
Income tax expense	(12 742,0)	0,5	(10 601,1)	0,5
Net profit	**44 005,3**	**1,7**	**35 879,3**	**1,8**

Earnings per share

	2007	2006
Basic earnings per share (PLN)	0,34	0,28
Diluted earnings per share (PLN)	0,32	0,27

2.2 Selected financial ratios

		2007	2006	2005
1.	**Return on sales**			
	profit for the period x 100% / revenue	1,7%	1,8%	1,9%
2.	**Return on equity**			
	profit for the period x 100% / equity - profit for the period	26,1%	22,8%	22,7%
3.	**Debtors' days**			
	average trade receivables (gross) x 365 days / revenue	15 days	12 days	8 days
4.	**Debt ratio**			
	liabilities x 100% / equity and liabilities	69,1%	67,1%	60,2%
5.	**Current ratio**			
	current assets / current liabilities	0,9	0,8	1,0

- Net revenues are comprised of the sale of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, excluding allowances for receivables.

2.3 Interpretation of selected financial ratios

Return on sales and return on equity
Return on sales remained at the comparable level in comparison to the prior years.

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

Debtors' days
Debtors' days amounted to 15 days for 2007. Cash sales constitute over 90% of total wholesale revenue. Trade receivables are related mainly to sales of the marketing services to the suppliers of goods and sales of the point of sale goods to the subsidiary – KDWT S.A.

Debt ratio

Debt ratio increased by 2,0 percentage points in comparison to the previous year. The increase in debt ratio is mainly a result of the increase in trade liabilities, which is in line with the increase in the level of the Company's operation.

Current ratio

Current ratio amounted to 0,9 and the ratio did not change significantly in comparison to the previous years.

3 Detailed report

3.1 Proper operation of the accounting system

The Company maintains current documentation describing the applied accounting principles, adopted by the Management Board, to the extent required by Art. 10 of the Accounting Act.

During the audit of the unconsolidated financial statements, we tested, on a sample basis, the operation of the accounting system. Our assessment covered in particular:

- appropriateness and consistency of the accounting principles used,
- correctness of the documentation of business transactions,
- fairness, accuracy and verifiability of the books of account, including the matching of accounting entries with supporting documentation and the financial statements,
- compliance of the adopted policies relating to safeguarding of accounting records, books of account and the financial statements with the Accounting Act.

On the basis of the work performed we have not identified material irregularities in the accounting system which have not been corrected and that could have a material impact on the unconsolidated financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

3.2 Asset verification

The Company performed a physical verification of assets in accordance with the requirements and time frame specified in Art. No. 26 of the Accounting Act. The following categories of assets were included in the verification:

- cash,
- inventories.

Count differences have been recorded in the period covered by the financial statements.

3.3 Notes to the financial statements

All information included in the notes to the 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 financial statements taken as a whole.

3.4 Report on the Company's activities

The Report on the Company's activities includes, in all material respects, 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 unconsolidated financial statements.

3.5 Information on the opinion of the independent auditor

Based on our audit of the unconsolidated financial statements 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.

SEPARATE 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

TABLE OF CONTENTS

GENERAL INFORMATION

1. PARTICULARS OF THE COMPANY

1.1. NAME

EUROCASH Spółka Akcyjna [*joint-stock company*]

1.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

1.3. CORE BUSINESS

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

1.4. REGISTRY AUTHORITY

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

1.5. LIFETIME OF THE COMPANY

Unlimited

1.6. REPORTING PERIOD

Reporting period from 1 January 2007 to 31 December 2007 and a comparative period from 1 January 2006 to 31 December 2006

2. AUTHORITIES OF THE COMPANY

2.1. MANAGEMENT BOARD

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

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

2.2. SUPERVISORY BOARD

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

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

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

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

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

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

SELECTED FINANCIAL DATA

SELECTED SEPARATE 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	2 609 900 071	1 978 448 439	689 920 450	507 411 566
Operating profit (loss)	64 246 802	46 023 561	16 983 479	11 803 637
Profit (loss) before tax	56 747 280	46 480 343	15 000 999	11 920 788
Net profit (loss)	44 005 260	35 879 233	11 632 679	9 201 927
Net operating cash flow	169 859 714	51 111 971	44 901 984	13 108 659
Net investment cash flow	(28 844 871)	(93 855 433)	(7 625 068)	(24 071 051)
Net financial cash flow	(46 948 665)	(31 210 588)	(12 410 760)	(8 004 562)
Net change in cash and cash equivalents	94 066 178	(73 954 050)	24 866 155	(18 966 954)
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)	0,34	0,28	0,09	0,07
Diluted EPS (in PLN / EUR)	0,32	0,27	0,09	0,07
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	689 756 790	588 638 910	192 561 918	153 643 482
Long-term liabilities	13 116 239	16 673 059	3 661 708	4 351 915
Short-term liabilities	463 821 582	378 626 432	129 486 762	98 827 112
Equity	212 818 969	193 339 419	59 413 448	50 464 455
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)	1,67	1,51	0,47	0,40
Diluted book value per share (in PLN / EUR)	1,56	1,43	0,44	0,37
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 were converted at a rate being an arithmetic average of mid-rates announced by the National Bank of Poland, applicable on the last day of each month.

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

* 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.

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

SEPARATE FINANCIAL STATEMENTS

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

	Note	for the period from 01.01.2007 to 31.12.2007	for the period from 01.01.2006 to 31.12.2006
Net sales		**2 609 900 071**	**1 978 448 439**
Net sales of traded goods	21	2 549 993 108	1 927 011 632
Net sales of services	21	59 906 963	51 436 807
Prime costs of sales		**(2 283 827 029)**	**(1 720 857 245)**
Costs of sold traded goods		(2 283 827 029)	(1 720 857 245)
Gross profit (loss) on sales		**326 073 042**	**257 591 194**
Costs of sales	22	(175 930 058)	(140 272 005)
Costs of general management	22	(80 867 053)	(66 639 888)
Profit (loss) on sales		**69 275 932**	**50 679 301**
Other operating revenues	23	11 076 516	6 658 590
Other operating costs	23	(16 105 645)	(11 314 331)
Operating profit (loss)		**64 246 802**	**46 023 561**
Financial revenues	24	1 858 695	4 463 618
Financial costs	24	(9 358 217)	(4 006 836)
Profit (loss) before tax		**56 747 280**	**46 480 343**
Income tax	18	(12 742 020)	(10 601 110)
Net profit (loss)		**44 005 260**	**35 879 233**

NET EARNINGS PER SHARE

		PLN / share	PLN / share
Net profit (loss) on continued operations		44 005 260	35 879 233
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		0,34	0,28
- diluted		0,32	0,27
from continued and discontinued operations			
- basic		0,34	0,28
- diluted		0,32	0,27

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

SEPARATE BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	Year as at 31.12.2007	Year as at 31.12.2006
Assets			
Fixed assets (long-term)		**287 757 458**	**281 940 597**
Goodwill	2	9 975 600	9 975 600
Other intangible fixed assets	2	94 852 227	103 052 844
Tangible fixed assets	3	107 607 441	93 562 313
Investments in subsidiary companies	6	73 413 012	73 413 012
Long-term receivables	7	1 872 272	1 588 307
Long-term prepayments		36 905	348 521
Current assets (short-term)		**401 999 333**	**306 698 312**
Invetories	8	155 654 646	156 954 611
Trade receivables	9	119 047 164	92 539 162
Other short-term receivables	9	6 505 417	13 979 260
Other short-term financial assets		-	15 950 000
Cash and cash equivalents		119 156 892	25 090 714
Short-term prepayments	10	1 635 214	2 184 565
Total assets		**689 756 790**	**588 638 910**

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

SEPARATE BALANCE SHEET AS AT 31 DECEMBER 2007

Liabilities	Note	Year as at 31.12.2007	Year as at 31.12.2006
Equity		**212 818 969**	**193 339 419**
Share capital	11	127 742 000	127 742 000
Supplementary capital	12	41 071 709	29 059 203
Retained earnings		44 005 260	36 538 216
Profit (loss) of prior years		-	658 983
Net profit (loss) of the current year		44 005 260	35 879 233
Liabilities		**476 937 821**	**395 299 491**
Long-term liabilities		**13 116 239**	**16 673 059**
Other long-term financial liabilities	16	11 103 404	12 734 894
Other long-term liabilities		-	2 499 999
Deferred income tax provision	19	1 799 523	1 120 579
Provision for employee benefits	14	213 311	317 587
Short-term liabilities		**463 821 582**	**378 626 432**
Short-term loans and credits		102	14 355 781
Other short-term financial liabilities	16	2 504 787	2 535 759
Trade liabilities	15	424 852 416	329 365 403
Current income tax liabilities	18	2 864 922	3 537 007
Other short-term liabilities	15	17 104 690	18 661 622
Provision for employee benefits	14	9 265 273	4 926 702
Other short-term provisions	14	7 229 393	5 244 157
Total liabilities		**689 756 790**	**588 638 910**

BOOK VALUE PER SHARE AS AT 31 DECEMBER 2007

	Year as at 31.12.2007	Year as at 31.12.2006
Book value	**212 818 969**	**193 339 419**
Number of shares	127 742 000	127 742 000
Diluted number of shares	136 314 810	134 959 987
Book value per share	**1,67**	**1,51**
Diluted book value per share	**1,56**	**1,43**

OFF BALANCE SHEET ITEMS

Contingent Liabilities	**42 705 235**	**21 058 109**
Related companies	38 000 000	15 000 000
Other companies	4 705 235	6 058 109
- guaranties and sureties granted	4 705 235	6 058 109
Total	**42 705 235**	**21 058 109**

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

SEPARATE CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER

	for the period from 01.01.2007 to 31.12.2007	for the period from 01.01.2006 to 31.12.2006
Operating cash flow		
Net profit before tax	**56 747 280**	**46 480 343**
Adjustments:	**38 109 652**	**31 600 012**
Depreciation	29 922 254	28 018 374
(Profit) loss on sold tangible fixed assets	(255 974)	2 122 000
(Profit) loss on sold financial assets available for sale	-	(1 344 000)
Costs of interest	8 443 372	2 803 638
Operating cash before changes in working capital	**94 856 932**	**78 080 354**
Changes in inventory	1 299 965	(20 831 327)
Changes in receivables	(19 318 124)	(44 712 380)
Changes in liabilities	101 405 681	48 560 318
Changes in provisions and accruals	4 003 470	465 268
Other adjustments	4 854 950	2 149 472
Operating cash	**187 102 874**	**63 711 706**
Interest paid	(4 507 999)	(3 571 420)
Income tax paid	(12 735 161)	(9 028 315)
Net operating cash	**169 859 714**	**51 111 971**
Investment cash flow		
Expenditures for purchased intangible fixed assets	(930 642)	(619 909)
Receipts from sold intangible fixed assets	-	84 019
Expenditures for purchased tangible fixed assets	(46 468 522)	(20 249 797)
Receipts from sold tangible fixed assets	12 604 289	15 881 510
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	(9 999 996)	(78 338 856)
Repayment received of given loans	15 950 000	(15 950 000)
Net investment cash	**(28 844 871)**	**(93 855 433)**
Financing cash flow		
Repaid loans and credits	(14 355 679)	(8 379 720)
Repaid liabilities under financial lease	(2 378 378)	(1 999 898)
Interest	(833 948)	(392 250)
Dividends paid	(29 380 660)	(20 438 720)
Net financing cash	**(46 948 665)**	**(31 210 588)**
Net change in cash and cash equivalents	**94 066 178**	**(73 954 050)**
Cash and cash equivalents at the beginning of the period	25 090 714	99 044 764
Cash and cash equivalents at the end of the period	**119 156 892**	**25 090 714**

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

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

	Share capital	Supplementary capital	Retained earnings	**Total**
Changes in equity in the period from 1 January to 31 December				
Balance as at 1 January 2006	**127 742 000**	**14 782 302**	**33 225 132**	**175 749 434**
Net profit for the period from 1 January to 31 December 2006	-	-	35 879 233	**35 879 233**
Dividends paid	-	-	(20 438 720)	**(20 438 720)**
Transfer to supplementary capital	-	12 127 429	(12 127 429)	**-**
Valuation of motivational program for employees	-	2 149 472	-	**2 149 472**
Balance as at 31 December 2006	**127 742 000**	**29 059 203**	**36 538 216**	**193 339 419**

	Share capital	Supplementary capital	Retained earnings	**Total**
Changes in equity in the period from 1 January to 31 December				
Balance as at 01 January 2007	**127 742 000**	**29 059 203**	**36 538 216**	**193 339 419**
Net profit for the period from 1 January to 31 December 2007	-	-	44 005 260	**44 005 260**
Dividends paid	-	-	(29 380 660)	**(29 380 660)**
Transfer to supplementary capital	-	7 157 556	(7 157 556)	**-**
Valuation of motivational program for employees	-	4 854 950	-	**4 854 950**
Balance as at 31 December 2007	**127 742 000**	**41 071 709**	**44 005 260**	**212 818 969**

ADDITIONAL INFORMATION TO SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2007 TO 31 DECEMBER 2007

1. GENERAL INFORMATION

1.1. FINANCIAL STATEMENTS PUBLICATION

Separate financial statements of Eurocash S.A. for the period from 1 January 2007 to 31 December 2007 were approved for publication by resolution of the Management Board of 22 April 2008.

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

1.2. STATEMENT OF COMPLIANCE

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

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	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. 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.	The Company is currently assessing the impact of the interpretation on the operations.	1 March 2007
IFRS 8 Operating segments	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. 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.	The Company is currently assessing the impact of IFRS 8 on the operations.	1 January 2009

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 *Borrowing Costs*	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 *Presentation of Financial Statements*	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 ***Service Concession Arrangements***	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 *Customer Loyalty Programmes*	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

all amounts are denominated in Polish zlotys (unless provided 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
IFRIC 14 *IAS 19 – **The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction***	The interpretation provides general guidance on: 1) when refunds or reductions in future contributions should be regarded as ‘available’ in accordance with paragraph 58 of IAS 19; 2) how a minimum funding requirement (“MFR”) might affect the availability of reductions in future contributions; and 3) when a MFR might give rise to a liability. 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.	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.	1 January 2008
Revised IFRS 3 *Business Combinations*	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.	The Company is currently assessing the impact of the revised standard on the Company’s operations.	1 July 2009
Revised IAS 27 *Consolidated and Separate Financial Statements*	In relation to the above, the revised IAS 27 focuses mainly on: - 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.	The Company is currently assessing the impact of the revised standard on the Company’s operations.	1 July 2009

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 *Share-based Payments*	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 *Financial Instruments - Presentation*i and IAS 1 *Presentation of Financial Statements*	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

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

These separate 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 separate financial statements is Polish zloty and any amounts are rounder-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 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.

Eurocash S.A. prepares consolidated financial statement of the Eurocash S.A. capital group that will be published on 25 April 2008.

1.7. GOING CONCERN BASIS

The financial statements have been prepared on a going concern. Tthere 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 (at fair value).
The key principles of accounting applied by the Company are presented under items 2.2 – 2.25.

2.2. FINANCIAL YEAR AND REPORTING PERIOD

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

2.3. BOOKKEEPING

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

2.4. FORMAT AND CONTENTS OF THE FINANCIAL STATEMENTS

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

The financial statements comprise in particular:

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

2.5. INTANGIBLE FIXED ASSETS

Definition

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

Intangible fixed assets of the Company comprise:

- 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.

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 asset should be charged to costs in its entirety, in accordance with the principle of prudence.

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

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

Since the useful life of the “Eurocash” and “ABC” trade marks is difficult to define / undefined, they are not amortised. The “Eurocash” and “ABC” 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 end of a financial year (being the balance sheet day) intangible fixed assets should be valued at an acquisition price less amortisation charges and impairment losses.

2.6. TANGIBLE FIXED ASSETS

Definition

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

Tangible fixed assets of the Company comprise:

- Buildings and structures,
- Technical machinery and equipment,
- Means of transport,
- Other fixed assets (furniture etc.),

- Constructions in progress,
- Advances for constructions in progress.

Initial value of tangible fixed assets

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

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

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

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

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.

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.

2.7. COSTS OF EXTERNAL FINANCING

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

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

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

2.8. LEASE

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

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

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

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

2.9. INVESTMENT REAL PROPERTY

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

2.10. 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
Long-term receivables are valued at fair value increased by direct transaction costs.
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.

2.11. 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 Company, taking account of rational premises and knowledge of particular prepayments.

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

Fixed assets classified as intended for disposal and groups of net fixed assets intended for disposal are valued by the lower of the two values: balance-sheet or fair value less costs of sale.
The Company classifies tangible assets element (or a group intended for sale) as intended for sale if its balance-sheet value will be recovered first of all in the course of a sale transaction and not through its further usage.
Such situation occurs if the following conditions are fulfilled:

- assets 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);

- 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.

2.13. INVENTORIES

Definition

Inventories of the Company include:

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

Principles of establishing acquisition price

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

An acquisition price is all costs of purchase and other costs paid in the course of bringing stocks to their current place and condition.
Costs of stocks purchase comprise the purchase price, import duties and other taxes (excluding the ones which the enterprise may recover from revenue office later on) and costs of transport, loading and unloading, as well as other costs which can be directly allocated to traded goods.
Costs of purchase are reduced by discounts, trade rebates and other similar items.

Valuation of inventories as at the balance sheet day

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.

2.14. 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.

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.

2.15. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables

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

Other short-term receivables

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

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

Trade receivables and other short-term receivables are valued in books of accounts at the amount payable adjusted by relevant revaluation write-offs. The value of receivables should be discounted to the current value if the impact of value of money in time is significant.

Default interest for delay in payment of receivables by recipients of the Company is posted at the moment of receiving funds by the Company.

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

According to 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.

2.16. SHORT-TERM PREPAYMENTS

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

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

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

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

2.17. 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.

2.18. 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.

2.19. BANK LOANS

Interest-bearing bank loans are recorded at acquisition prices corresponding to fair value of acquiring funds, less direct costs of loan acquisition.

In next periods loans are valued at amortised acquisition price, accounting for an effective interest rate.

2.20. PROVISIONS

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

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

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

2.21. 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.

Dividend revenues

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

2.22. EMPLOYEE BENEFITS

In accordance with the provisions of the International Accounting Standards, the Company should account in its financial statements for costs due to pension benefits and other employee benefits upon termination of their employment, by creating a provision for pension benefits.

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.

2.23. 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.

2.24. TAXES

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

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

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

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

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

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

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

2.25. SEGMENT REPORTING

Under IAS 14 "Segment reporting", the Company 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.

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

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.

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 that considers 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.

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

NOTE 1
BUSINESS AND GEOGRAPHICAL SEGMENTS

According to the fact that all the business segments are fully represented by the subsidiary companies within the Group, i.e. Eurocash S.A., KDWT S.A., Eurocash Franszyza and Eurocash Detal, it has been decided not to report the segments results in the Eurocash S.A. separate financial statements.

As the business segment identified by the Group, i.e. traditional wholesale, is fully represented by the Eurocash S.A. operations, it can be deemed that these separate financial statements reflects the business segment results.

The results of three reportable business segments are presented in the consolidated financial statements.

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

NOTE 2
INTANGIBLE FIXED ASSETS

Information about intangible fixed assets is presented in Table no 1.

Table no 1

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 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**
Increase due to acquisition	6 443 041	1 448 660	-	-	331 748	**8 223 449**
Decrease due to sale	-	-	-	-	(4 954)	**(4 954)**
Amortisation	-	(2 069 926)	(3 733 203)	(1 234 000)	(2 854 363)	**(9 891 492)**
Other changes	3 532 559	349 823	-	-	-	**3 882 382**
Net carrying value as at 31 December 2006	**9 975 600**	**2 699 634**	**41 781 863**	**55 093 431**	**3 477 916**	**113 028 444**
Net carrying value as at 1 January 2007	**9 975 600**	**2 699 634**	**41 781 863**	**55 093 431**	**3 477 916**	**113 028 444**
Increase due to acquisition	-	907 355	-	-	23 287	**930 642**
Amortisation	-	(2 097 692)	(5 449 808)	(1 234 000)	(1 201 380)	**(9 982 880)**
Other changes	-	707 015	-	-	144 606	**851 621**
Net carrying value as at 31 December 2007	**9 975 600**	**2 216 311**	**36 332 055**	**53 859 431**	**2 444 430**	**104 827 827**

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

Table no 1

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**
As at 1 January 2007						
Gross carrying value	9 975 600	7 853 298	54 498 079	56 944 431	5 987 764	135 259 172
Total accumulated amortisation and write-offs	-	(5 153 664)	(12 716 216)	(1 851 000)	(2 509 848)	(22 230 728)
Net carrying value	**9 975 600**	**2 699 634**	**41 781 863**	**55 093 431**	**3 477 916**	**113 028 444**
As at 31 December 2007						
Gross carrying value	9 975 600	9 467 667	54 498 079	56 944 431	6 139 476	137 025 254
Total accumulated amortisation and write-offs		(7 251 356)	(18 166 024)	(3 085 000)	(3 695 046)	(32 197 427)
Net carrying value	**9 975 600**	**2 216 311**	**36 332 055**	**53 859 431**	**2 444 430**	**104 827 827**

The Company 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.

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

The Company recognised no impairment loss on intangible assets.

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

NOTE 3
TANGIBLE FIXED ASSETS

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

Table no 2

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**
Increase due to acquisition	22 525 354	3 760 286	1 327 304	3 036 870	21 708 195	**52 358 009**
Increase due to lease	12 343 223	939 320	1 069 753	-	-	**14 352 296**
Decrease due to sale	(17 977 965)	(518 243)	(14 461)	(35 020)	-	**(18 545 689)**
Decrease due to liquidation	(1 463 104)	(168 460)	(41 204)	(277 224)	(60 000)	**(2 009 992)**
Depreciation	(4 849 373)	(4 882 582)	(2 646 797)	(5 748 130)	-	**(18 126 882)**
Other changes	16 388 391	1 614 086	35 636	2 144 772	(22 381 192)	**(2 198 307)**
Net carrying value as at 31 December 2006	**59 218 428**	**13 535 536**	**8 736 920**	**10 616 166**	**1 455 263**	**93 562 313**
Net carrying value as at 1 January 2007	**59 218 428**	**13 535 536**	**8 736 920**	**10 616 166**	**1 455 263**	**93 562 313**
Increase due to acquisition	16 701 520	6 983 545	1 719 208	11 635 713	9 428 536	**46 468 522**
Increase due to lease	-	-	844 707	-	-	**844 707**
Decrease due to sale	(11 329 746)	(75 340)	(446 198)	(286 986)	(84 816)	**(12 223 086)**
Decrease due to liquidation	(907 034)	(517 682)	(313 660)	(906 614)	(5 020)	**(2 650 011)**
Depreciation	(5 244 407)	(4 747 772)	(1 462 742)	(5 400 004)	-	**(16 854 925)**
Leasing decrease	-	-	(688 459)	-	-	**(688 459)**
Other changes	-	-	-	-	(851 621)	**(851 621)**
Net carrying value as at 31 December 2007	**58 438 761**	**15 178 287**	**8 389 776**	**15 658 276**	**9 942 341**	**107 607 441**

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

Table no 2

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**
As at 1 January 2007						
Gross carrying value	75 201 853	29 946 255	15 028 615	29 298 292	1 455 263	150 930 278
Total accumulated amortisation and write-offs	(15 983 425)	(16 410 719)	(6 291 696)	(18 682 125)	-	(57 367 965)
Net carrying value	**59 218 428**	**13 535 536**	**8 736 919**	**10 616 167**	**1 455 263**	**93 562 313**
As at 31 December 2007						
Gross carrying value	79 666 593	36 336 778	16 144 213	39 740 405	9 942 341	181 830 331
Total accumulated amortisation and write-offs	(21 227 832)	(21 158 491)	(7 754 438)	(24 082 129)	-	(74 222 890)
Net carrying value	**58 438 761**	**15 178 287**	**8 389 775**	**15 658 276**	**9 942 341**	**107 607 441**

The Company recognised no impairment loss on tangible fixed assets.

NOTE 4
ANALYSIS OF INDICATIONS OF POTENTIAL ASSETS IMPAIRMENT

In accordance with IAS 36, at balance sheet date the Company 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 Company 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 Company'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 Company 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 Company 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.

- 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.

NOTE 5
INVESTMENT REAL ESTATE

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

NOTE 6
INVESTMENTS IN SUBSIDIARY COMPANIES

Information about long-term receivables is presented in Table no 3 and 4.

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

Table no 3

INVESTMENTS IN SUBSIDIARIES COMPANIES AS AT 31 DECEMBER 2007

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

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

Table no 4

INVESTMENTS IN SUBSIDIARIES COMPANIES AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
Opening balance	**73 413 012**	**-**
Increase in reporting period:	**-**	**73 413 012**
joined units	-	73 413 012
Balance upon changes	**73 413 012**	**73 413 012**

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

NOTE 7
LONG-TERM RECEIVABLES

Information about long-term receivables is presented in Table no 5.

Table no 5

LONG TERM RECEIVABLES

	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 6 and 7.

Table no 6

INVENTORIES STRUCTURE AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
Traded goods	155 461 692	152 630 159
Materials	192 954	197 478
Advances for deliveries	-	4 126 974
Total stocks, including:	**155 654 646**	**156 954 611**
- carrying value of stocks being a security for liabilities	41 000 000	20 200 000

Table no 7

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
- decrasing	-	(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 8.

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

Table no 8

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
Trade receivables	**119 047 164**	**92 539 162**
Credit sales	60 332 282	55 738 041
Receivables from suppliers	58 763 177	38 294 375
ABC marketing fees	634 249	720 927
Other trade receivables	1 252 934	986 314
Allowance for trade bad debts	(1 935 478)	(3 200 495)
Other receivables	**6 505 417**	**13 979 260**
Settlement of VAT	3 627 880	5 829 457
Receivables due to employees	72 161	189 133
Receivables due to insurance	764	14 282
Other receivables	3 131 703	8 802 350
Allowance for other bad debts	(327 092)	(855 962)
Total receivables, including:	**125 552 581**	**106 518 422**
- long-term	-	-
- short-term	125 552 581	106 518 422

NOTE 10
SHORT-TERM PREPAYMENTS

Information about short-term prepayments is presented in Table no 9.

Table no 9

SHORT-TERM PREPAYMENTS AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
Software rental	452 908	428 170
Licences for selling alcohol	367 360	622 350
Insurances	289 008	604 405
Media	213 998	30 891
Advertising folders	36 957	398 833
Insurances	13 353	21 591
Other prepayments	261 629	78 325
	1 635 214	**2 184 565**

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

NOTE 11
EQUITY

Information about equity is presented in Table no 10, 11 and 12.

Table no 10

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**

Share capital was comprised of 127.742.000 "A" bearer shares of the par value of PLN 1.00 each as of 31 December 2007.

The structure of shareholders holding more than 5% in total number of votes is presented in Table no 11.

Table no 11

SHAREHOLDERS STRUCTURE

Table no 11

SHAREHOLDERS STRUCTURE

	31.12.2007				31.12.2006			
Shareholder	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes
1. Luis Manuel Conceicao do Amaral (directly and indirectly through Politra B.V.)	70 258 100	55,00%	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 - Powszechne Towarzystwo Emerytalne BPH CU WBK	6 586 001	5,16%	6 586 001	5,16%		less then 5%		less thern 5%
4. Charlemagne Capital (IOM) Limited		less then 5%		less then 5%	6 488 383	5,08%	6 488 383	5,08%

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

Table no 12

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	**-**	**-**
Issued share capital - in-kind contribution	-	-
Decrease of share capital in the period	**-**	**-**
Share capital at the end of the period	**127 742 000**	**127 742 000**

OTHER CAPITAL

Information about other capital is presented in Table no 13..

Table no 13

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

	Supplementary capital	Total
As at 1 January 2006	**14 782 302**	**14 782 302**
Increase in the period from 1 January to 31 December 2006	**14 276 901**	**14 276 901**
Net profit for the period from 1 January to 31 December 2006	12 127 429	12 127 429
Valuation of the Incentive Scheme for employees	2 149 472	2 149 472
As at 31 December 2006	**29 059 203**	**29 059 203**
As at 1 January 2007	**29 059 203**	**29 059 203**
Increase in the period from 1 January to 30 December 2007	**12 012 506**	**12 012 506**
Net profit for the period from 1 January to 31December 2006	7 157 556	7 157 556
Valuation of the Incentive Scheme for employees	4 854 950	4 854 950
As at 31 December 2007	**41 071 709**	**41 071 709**

NOTE 13

OPTIONS FOR SHARES

Information about options for own shares is presented in Table No 14.

Table no 14

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:

- 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.

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.

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

PROVISIONS

Information about provisions is presented in Tables No 15 and 16.

Table no 15

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

	Provision for employee benefits	Provision for agency depot commissions	Provision for costs of transport	Provision for advertising
Provisions as at 1 January 2006	**6 096 111**	**655 002**	**400 000**	**425 000**
Increase in provisions	-	206 601	-	-
Decrease in provisions	(851 822)	-	(92 000)	(285 381)
Provisions as at 31 December 2006	**5 244 289**	**861 603**	**308 000**	**139 619**
Provisions as at 1 January 2007	**5 244 289**	**861 603**	**308 000**	**139 619**
Increase in provisions	8 677 965	11 144 261	6 686 944	7 248 398
Decrease in provisions	(4 443 670)	(11 096 322)	(6 497 750)	(6 190 898)
Provisions as at 30 December 2007, including:	**9 478 584**	**909 542**	**497 194**	**1 197 119**
- short-term	9 265 273	909 542	497 194	1 197 119
- long-term	213 311	-	-	-

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

Table no 15

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

	Provision for media	Provision for non trade costs	Other provisions	Total
Provisions as at 1 January 2006				
	400 075	**344 971**	**4 557 067**	**12 878 226**
Increase in provisions	-	1 294 004		1 500 605
Decrease in provisions	(177 478)	-	(2 483 703)	(3 890 384)
Provisions as at 31 December 2006				
	222 597	**1 638 975**	**2 073 364**	**10 488 447**
Provisions as at 1 January 2007				
	222 597	**1 638 975**	**2 073 364**	**10 488 447**
Increase in provisions	2 937 439	5 390 913		42 085 920
Decrease in provisions	(2 776 710)	(6 491 212)		(37 496 562)
Provisions as at 31 December 2007, including:				
	383 326	**538 676**	**3 703 536**	**16 707 977**
- short-term	383 326	538 676	3 703 536	16 494 666
- long-term	**-**	**-**	**-**	213 311

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

Table no 16

PROVISIONS AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
Provision for severant payment	9 478 584	5 244 289
Provision for costs of advertising	1 197 119	139 619
Provision for individual clients (increase of sales)	1 135 956	-
Provision for agency depot commissions	909 542	861 603
Provision for non trade costs	538 676	1 638 975
Provision for costs of transport	497 194	308 000
Provision for media	383 326	222 597
Provision for restructuring	367 452	821 661
Provision for rents	274 782	170 944
Provision for costs of advisory and audit services	166 105	79 133
Other provisions	1 759 241	1 001 626
	16 707 977	**10 488 447**

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

NOTE 15
TRADE LIABILITIES AND OTHER LIABILITIES

Information about trade liabilities and other liabilities is presented in Table No 17.

Table no 17

TRADE LIABILITIES AND OTHER LIABILITIES AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
Trade liabilities	**424 852 416**	**329 365 403**
Supplies of traded goods	414 802 747	320 893 782
Services	10 049 668	8 471 621
Other liabilities	**19 969 612**	**24 698 628**
Liabilities for shareholders	2 499 999	2 499 999
Settlement of VAT	574 687	629 347
Social insurance	2 171 191	1 842 948
Fixed assets	8 045 470	4 471 627
Tax, customs, insurances and other liabilities	848 882	670 797
Current corporate income tax	2 864 922	3 537 007
Other liabilities	2 964 462	11 046 903
Total liabilities, including:	**444 822 028**	**354 064 031**
- long-term	-	2 499 999
- short-term	444 822 028	351 564 032

NOTE 16
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	13 608 191	15 270 653
	13 608 191	**15 270 653**
- long-term	11 103 404	12 734 894
- short-term	2 504 787	2 535 759

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

Table no 19

LIABILITIES UNDER FINANCIAL LEASE AGREEMENTS AS AT 31 DECEMBER 2007

	as at 31.12.2007 minimum fees	as at 31.12.2007 current value of minimum fees	as at 31.12.2006 minimum fees	as at 31.12.2006 current value of minimum fees
Future minimum fees due to financial lease agreements				
Payable within 1 year	3 229 435	2 504 787	3 308 931	2 535 759
Payable in the period from 1 year to 5 years	5 935 543	3 637 293	6 439 811	4 935 071
Payable in the period of over 5 years	8 463 502	7 466 111	10 178 047	7 799 823
Total future minimum fees due to financial lease agreements	**17 628 480**	**13 608 191**	**19 926 789**	**15 270 653**
Financial costs	4 020 289	**X**	4 656 136	**X**
Current value of minimum fees under financial lease agreements	**13 608 191**	**13 608 191**	**15 270 653**	**15 270 653**

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

NOTE 17
OPERATING LEASE

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

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

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

In 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 AS AT 31		
Payable within 1 year	24 791 244	15 534 397
Payable in the period from 1 year to 5 years	108 298 596	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	**172 202 698**	**93 298 844**

all amounts are denominated in Polish zlotys (unless provided 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
Profit and loss account		
Current income tax	**(12 063 076)**	**(8 377 076)**
Current income tax burden	(11 807 814)	(8 377 076)
Adjustment of prior years on current income tax	**(255 262)**	**-**
Deferred income tax	**(678 944)**	**(2 224 034)**
Due to creation and reversal of temporary differences	(678 944)	(2 224 034)
Due to income tax rate reduction	-	-
Tax burden recorded in profit and loss account	**(12 742 020)**	**(10 601 110)**

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

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	**56 747 280**	**46 480 343**
Tax calculated on tax base 19%	10 781 983	8 831 265
Tax influence from permanent differences between gross profit and tax base	1 948 166	1 444 405
Negative passing differences and tax losses, in connection which the deferred income tax provision was no recognized	-	-
Others	11 871	325 440
Tax burden shown in profit and losses	**12 742 020**	**10 601 110**
Effective tax rate	22,45%	22,81%

all amounts are denominated in Polish zlotys (unless provided 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
Deferred income tax provision				
- difference between tax and accounting depreciation and amortization	6 544 177	4 979 520	1 564 657	2 104 528
- future revenues	2 274 901	1 210 258	1 064 643	(148 830)
Interests income	79 839	-	79 839	-
- lease liabilities	434 734	475 415	(40 681)	475 415
- unrealized exchange rates	63 848	-	63 848	(25 559)
Gross deferred income tax provision	**9 397 499**	**6 665 193**	**2 732 306**	**2 405 554**

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

DEFERRED INCOME TAX IN THE PERIOD FROM 1 DECEMBER 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
Deferred income tax provision				
- deferment of rebates	2 253 188	1 745 105	(508 083)	(457 710)
- revaluation write-off on inventories	1 219 082	882 054	(337 028)	5 652
- allowance for bad debts	294 236	693 438	399 202	(455 902)
- provision for paid leaves	540 294	476 322	(63 972)	(131 918)
- provision for bonuses	1 205 460	380 000	(825 460)	-
- unpaid payable payroll	191 724	186 777	(4 947)	379 300
- provision for agency depot commissions	172 813	163 705	(9 108)	(39 254)
- provision for costs of transport	94 467	58 520	(35 947)	17 480
- provision for costs of media	72 832	42 293	(30 539)	33 721
- provision for individual clients (increase of sales)	215 832	-	(215 832)	-
- interests concern lease	729 365	144 730	(584 635)	-
- other provisions	608 684	771 670	162 986	467 111
- deferred income tax assets	**7 597 976**	**5 544 614**	**(2 053 362)**	**(181 520)**
Deferred income tax burden			**678 944**	**2 224 034**
Net deferred income tax provision	**1 799 523**	**1 120 579**	**X**	**X**
Net deferred income tax assets	**-**	**-**	**X**	**X**

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

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	2 549 993 108	1 927 011 632
Provision of services	59 906 963	51 436 807
Total net sales	**2 609 900 071**	**1 978 448 439**

NOTE 22

COSTS BY NATURE

Costs by nature are presented in Table No 26.

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	29 905 139	28 018 374
Materials and power	14 297 443	11 960 998
Third party services	95 026 884	79 402 002
Fees and taxes	4 463 707	3 416 592
Payroll	80 022 620	57 363 705
Social insurance and other benefits	15 715 524	11 716 939
Other costs by nature	17 365 794	15 033 283
Costs by nature	**256 797 111**	**206 911 893**
including:		
Costs of sales	175 930 058	140 272 005
Costs of general management	80 867 053	66 639 888

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

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	**11 076 516**	**6 658 590**
Other sales	1 865 627	989 112
Sub-lease of premises	1 562 367	883 922
Damages	502 526	520 150
Transport services rendered	771 912	942 681
Profit on fixed assets sale	255 235	-
Provisions releases	375 796	-
Other operating revenues	5 743 053	3 322 725
Other operating costs	**(16 105 645)**	**(11 314 331)**
Loss on fixed assets disposal	-	(2 099 111)
Inventories settlement	(9 739 384)	(3 794 950)
Liquidation of damaged and expired goods	(3 153 805)	(2 372 706)
Allowance for trade	1 765 216	(2 407 120)
Other operating costs	(4 977 673)	(640 444)
Net other operating revenues (costs)	**(5 029 129)**	**(4 655 740)**

NOTE 24

FINANCIAL REVENUES AND COSTS

Financial revenues and costs are presented in Table No 28.

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	**1 858 695**	**4 463 618**
Gains on shares sale	**-**	1 343 400
Interest	1 151 282	1 005 830
Exchange gains	(144 858)	(149 268)
Other financial revenues	852 272	2 263 656
Financial costs	**(9 358 217)**	**(4 006 836)**
Interest	(8 443 372)	(2 803 638)
Bank fees	(555 488)	(746 936)
Exchange losses	(118 968)	(175 506)
Other financial costs	(240 390)	(280 756)
Net financial revenues (costs)	**(7 499 522)**	**456 782**

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

(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	(144 858)	(149 268)
Financial costs	(118 968)	(175 506)
Total	**(263 826)**	**(324 774)**

NOTE 25

EARNINGS PER SHARE

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

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
Earnings		
Net earnings of a given year for the purpose of calculating earnings per share for distribution among shareholders	44 005 260	35 879 233
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	44 005 260	35 879 233
Number of issued shares		
Weighted average number of shares disclosed for the needs of calculating diluted earnings per share	127 742 000	127 742 000
Effect of dilution of a potential number of ordinary shares:		
Share options	-	-
Bonds convertible into shares	9 351 511	7 754 736
Weighted average number of ordinary shares (for the needs of calculating diluted earnings per share)	136 314 810	134 959 987

Calculation of weighted average number of shares

Year 2007

(127.742.000 X 365 days) / 365 days = 127.742.000

Year 2006

(127.742.000 X 365 days) / 365 days = 127.742.000

Calculation of weighted average diluted number of shares

Year 2007

(135.496.736 X 178 / 365 days) + (135.093.511X 187 / 365 days) = 136.314.810

Year 2006

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

(134.129.100 X 89 / 365 days) + (134.959.100 X 138 / 365 days) + (135.496.736 X 138 / 365 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.

Table no 31

BOOK VALUE PER SHARE AS AT 31 DECEMBER 2007

	as at 31.12.2007	as at 31.12.2006
Book value	212 818 969	193 339 419
Number of shares	127 742 000	127 742 000
Diluted number of shares	136 314 810	134 959 987
Book value per share	1,67	1,51
Diluted book value per share	1,56	1,43

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.

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

	IN COMPANY
FOR THE COMPANY	EUROCASH

Trade receivables

EUROCASH	
KDWT	4 307 985
EUROCASH FRANSZYZA	-
EUROCASH DETAL	-
	4 307 985

Other receivables

EUROCASH	
KDWT	938 165
EUROCASH FRANSZYZA	38 369
EUROCASH DETAL	27 551
	1 004 084

Trade liabilities

EUROCASH	
KDWT	2 221 497
EUROCASH FRANSZYZA	-
EUROCASH DETAL	-
	2 221 497

Other trade liabilities

EUROCASH	
KDWT	1 983 093
EUROCASH FRANSZYZA	1 189 571
EUROCASH DETAL	-
	3 172 664

Net sales of traded goods

EUROCASH	
KDWT	61 293 865
EUROCASH FRANSZYZA	-
EUROCASH DETAL	-
	61 293 865

Net sales of services

EUROCASH	
KDWT	1 655 210
EUROCASH FRANSZYZA	178 207
EUROCASH DETAL	83 328
	1 916 745

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.

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

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	Opcje menadżerskie	Total
Remuneration of Management Board members				
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**
Remuneration of Supervisory Board memebrs				
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**

Members of the Supervisory Board did not hold any options as at 31 December 2007.

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	2 436	2 076
Number of full-time jobs	2 391	2 005

Information about the structure of employment as at 31 December 2006 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	2 094	342	**2 436**
Number of full-time jobs	2 058	333	**2 391**

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

all amounts are denominated in Polish zlotys (unless provided 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	1 353	990
Number of employees dismissed	(1 043)	(508)
	310	**482**

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	Currency	as at 31.12.2007	as at 31.12.2006
1	guarantee for credit	guarantee for credit	PLN	26 000 000	-
2	Eurocash Franszyza i Eurocash Detal Sp. z o.o.	guarantee for credit	PLN	12 000 000	15 000 000
3	payables concern distrubution	payables concern distrubution center	EUR*	3 402 900	3 639 640
4	payables concern computer	payables concern computer hardware	PLN	1 302 335	2 344 205
5	payables concern Suwałki store	payables concern Suwałki store	PLN	-	74 264
				42 705 235	**21 058 109**

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

NOTE 30

FINANCIAL RISK MANAGEMENT

a. General information

The Company'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 Company's objectives, policy and procedures related to financial and capital risk management. All the sufficient data is disclosed in these separate 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 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 Company, 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 Company's operations. By the qualifications increase, standards and procedures adoption the Company aims for disciplined and positive environment in which all the employees understand their role and duties.

There is an internal audit department within the Company'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.

NOTE 30

FINANCIAL RISK MANAGEMENT

b. General information

The Company'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 Company's objectives, policy and procedures related to financial and capital risk management. All the sufficient data is disclosed in these separate 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 building and monitoring of the mentioned policy. The team report directly to the Management Board on a regular basis.

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There is an internal audit department within the Company'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.

c. 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 Company.

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

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

Table no 37

in PLN thousand	as at 31.12.2007	as at 31.12.2006
Accounts receivable and loans	127 425	124 056
Cash and cash equivalents	119 157	25 091
	246 582	**149 147**

Trade receivables and other receivables

Credit risk related to the Company'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 Company'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 Company uses dunning letters on a regular basis, takes legal action and writes off bad debts if necessary.

The below table presents aged debtor analysis and the write-offs.

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	82 627 790	-	74 203 885	-
31-90 days	14 602 858	-	12 595 912	-
91-180 days	20 441 609	-	7 848 067	2 108 702
> 180 days	3 310 385	1 935 478	1 091 793	1 091 793
	120 982 642	**1 935 478**	**95 739 657**	**3 200 495**

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	3 200 495	986 228
Increases	5 649 426	4 282 815
Decreases	(6 914 443)	(2 068 548)
Balance upon changes	**1 935 478**	**3 200 495**

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

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

d. 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 Company'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 Company'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 Company's liabilities classified due to the settlement periods overriding any compensation agreements.

Table no 40

AS AT 31 DECEMBER 2007

in PLN thousand	Net book value	< 6 months	6-12 months	1 - 2 years	2-5 years	over 5 years
Liabilities under financial lease	13 608	-	2 505	-	3 637	7 466
Trade liabilities and others	444 822	420 710	24 112		-	-
	458 430	**420 710**	**26 617**	**-**	**3 637**	**7 466**

Table no 41

AS AT 31 DECEMBER 2006

in PLN thousand	Net book value	< 6 months	6-12 months	1 - 2 years	2-5 years	over 5 years
Financial lease liabilities	15 271	-	2 670	-	9 862	2 739
Trade and other liabilities	354 192	351 776	2 243	173	-	-
Bank overdrafts	14 356	-	14 356	-	-	-
	383 819	**351 776**	**19 269**	**173**	**9 862**	**2 739**

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 Company'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 Company and return on risk optimisation at the same time.

Currency risk

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

Interest rate risk

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

The below table (Table no 42) presents the Company'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

in PLN thousand	Present value 31.12.2007	Present value 31.12.2006
Fixed interest rate instruments		
Financial assets	0	15 950
Financial liabilities	13 608	15 271
Floating interest rate instrument		
Financial assets	119 157	25 091
Financial liabilities		14 356

The Company does not possess any financial instruments with fixed interest rate valued at fair value through profit and loss and has not designated any derivates (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 Company 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

	Income statement		Equity	
in PLN thousand	increases 100bp	decreases 100bp	increases 100bp	dereases 100bp
31 December 2006	107	(107)	-	-
31 December 2007	1 192	(1 192)	-	-

e. Capital risk management

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

The Company 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.

f. 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 31.12.2007	Fair value 31.12.2007	Net book value 31.12.2006	Fair value 31.12.2006
Assets	**246 582**	**246 582**	**149 147**	**149 147**
Loans (short- and long-term)			15 950	15 950
Trade and other receivables	127 425	127 425	108 106	108 106
Cash and cash equivalents	119 157	119 157	25 091	25 091
Liabilities	**(458 430)**	**(458 430)**	**(383 819)**	**(383 819)**
Credits			-14 356	-14 356
Financial lease liabilities	(13 608)	(13 608)	(15 271)	(15 271)
Trade and other liabilities	(444 822)	(444 822)	(354 192)	(354 192)
	(211 848)	**(211 848)**	**(234 672)**	**(234 672)**

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

NOTE 31

POST-BALANCE SHEET DATE EVENTS

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.

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

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President	Luis Amaral	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.

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

CONTENTS

1 Management discussion of the financial results of the Eurocash S.A. for 2007

1.1 Eurocash S.A.: Key financial and operational highlights in 2007

Table 1 Summary of consolidated financial results for 2007

PLN million	2007	2006	change 2007 / 2006
Sales revenues	2 609,90	1 978,45	31,92%
Gross profit/(loss) on sales	326,07	257,59	26,59%
(Gross profitability on sales %)	12,49%	13,02%	-0,53p.p.
EBITDA	94,17	74,04	27,18%
(EBITDA margin%)	3,61%	3,74%	-0,13p.p.
EBIT	64,25	46,02	39,60%
(EBIT margin%)	2,46%	2,33%	0,14p.p.
Gross profit	56,75	46,48	22,09%
Net income	44,01	35,88	22,65%
Net profitability %	1,69%	1,81%	-0,13p.p.

Eurocash S.A. (“Eurocash”)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).

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

Eurocash Discount Cash&Carry stores:

- In 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, more than in 2006. Comparing with FY 2006 (till 16.08.2006 within Carment S.A.) in FY 2007 wholesale sales realized by "Delikatesy Centrum" Distribution Centers increased by 50.5%.

- LFL growth of the wholesale sales to "Delikatesy Centrum" franchise stores in 2007 r mounted 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.

1.2 Profit and loss account

Table 2 Eurocash sales analysis for 2007

PLN million	**2007**	**2006**	**change 2007 / 2006**
Sales revenues of Eurocash including	2 609,90	1 978,45	31,92%
Sales in Discount Cash & Carry stores	2 116,57	1 842,69	14,86%
Sales of "Delikatesy Centrum" Distribution Centers	492,92	135,76	263,08%
Number of operating Discount Cash&Carry stores (eop)	102	96	6
Number of „Delikatesy Centrum” franchise stores (eop)	295	235	60

Table 3 Eurocash: costs analysis for 2007

PLN million	**2007**	**2006**	**change 2007 / 2006**
Gross profit/(loss) on sales *(Gross profitability on sales %)*	326,07 12,49%	257,59 13,02%	26,59% -0,53p.p.
Costs of sales *(as % of sales)*	(175,93) 6,74%	(140,27) 7,09%	25,42% -0,35p.p.
Costs of general management	(80,87)	(66,64)	21,35%
(as % of sales)	3,10%	3,37%	-0,27p.p.
Profit/loss on sales	69,28	50,68	36,69%
(as % of sales)	2,65%	2,56%	0,09p.p.
Other operating income	11,08	6,66	66,35%
Other operating costs	(16,11)	(11,31)	42,35%
Operating profit – EBIT	64,25	46,02	39,60%
(EBIT margin %)	2,46%	2,33%	0,14p.p.
Depreciation	29,92	28,02	6,80%
EBITDA	94,17	74,04	27,18%
(EBITDA margin %)	3,61%	3,74%	-0,13p.p.

In 2007 sales Eurocash in increased by 31.92% comparing with 2006 and stores amounted to PLN 2 609.90m. Such result was mainly attributable to very strong organic growth in 2007.

Gross margin on sales in 2007 was 54 bps lower than in 2006, however it should be noted, that part of supplementary gains related to the sales to the Delikatesy Centrum franchise chain is realized by the master franchisor of the chain - Eurocash Franszyza Sp. z o.o. and is presented under segment “Other”. After adjustment of the gross margin by the external sales of the “Other” segment, the gross margin on sales realized by Eurocash Cash&Carry and „Delikatesy Centrum" Distribution Center would amount to 13.30%.

The consolidated EBITDA for 2007 amounted to PLN 121.9m and net profit to PLN 58.9m. The 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: Cash flow for 2007

PLN million	2007	2006
Operating cash flow	169,86	51,11
Gross profit (loss)	56,75	46,48
Depreciation	29,92	28,02
Change in working capital	92,25	(14,37)
Other	(9,06)	(9,02)
Cash flow from investments	(28,84)	(93,86)
Cash flow from financing activities	(46,95)	(31,21)
Total cash flow	94,07	(73,95)

Total cash flow in 2007 amounted PLN 94.07 million.

1.4 Working capital ratios

Table 5 Eurocash: Working capital ratios flow for 2007

Turnover in days	**2007**	**2006**
1. Inventories turnover	21,8	29,0
2. Trade receivables turnover	16,6	17,1
3. Trade liabilities turnover	67,9	69,9
4. Operating cycle (1+2)	38,4	46,0
5. Cash conversion (4-3)	(29,5)	(23,8)

The negative cash conversion cycle allows Eurocash S.A. to release cash with growing sales. The cash conversion cycle in 2007 improved comparing with 2006 by 5.7 days to negative 29.5 days.

1.5 Structure of the assets and equity & liabilities

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

Table 6 Eurocash: Structure of assets

PLN million	**31.12.2007**	**%**	**31.12.2006**	**%**
Fixed assets (long-term)	**287,76**	**41,72%**	**281,94**	**47,9%**
Goodwill	9,98	1,45%	9,98	1,69%
Intangible fixed assets	94,85	13,75%	103,05	17,51%
Tangible fixed assets	107,61	15,60%	93,56	15,89%
Investments in subsidiary companies	73,41	10,64%	73,41	12,47%
Long-term receivables	1,87	0,27%	1,59	0,27%
Long-term prepayments	0,04	0,01%	0,35	0,06%
Current assets (short-term)	**402,00**	**58,28%**	**306,70**	**52,10%**
Inventories	155,65	38,72%	156,95	26,66%
Trade receivables	119,05	29,61%	92,54	15,72%
Other short-term receivables	6,51	1,62%	13,98	2,37%
Short-term financial assets held for trade	0,00	0,00%	15,95	2,71%
Cash and cash equivalents	119,16	29,64%	25,09	4,26%
Short-term prepayments	1,64	0,41%	2,18	0,37%
Total assets	**689,76**	**100%**	**588,64**	**100,00%**

Table 7 Eurocash: Structure of liabilities

PLN million	31.12.2007	%	31.12.2006	%
Total Equity	**212,82**	**30,85%**	**193,34**	**32,85%**
Share capital	127,74	18,52%	127,74	21,70%
Supplementary capital	41,07	5,95%	29,06	4,94%
Retained earnings	44,01	6,38%	36,54	6,21%
Long-term liabilities	**13,12**	**1,90%**	**16,67**	**2,83%**
Other long-term financial liabilities	11,10	1,61%	12,73	2,16%
Other long-term liabilities	-	-	2,50	0,42%
Deferred income tax provision	1,80	0,26%	1,12	0,19%
Provision for employee benefits	0,21	0,03%	0,32	0,05%
Short-term liabilities	**463,82**	**67,24%**	**378,63**	**64,32%**
Short-term loans and credits	-	-	14,36	2,44%
Other short-term financial liabilities	2,50	0,36%	2,54	0,43%
Trade liabilities	424,85	61,59%	329,37	55,95%
Current income tax liabilities	2,86	0,42%	3,54	0,60%
Other short-term liabilities	17,10	2,48%	18,66	3,17%
Short-term provisions	9,27	1,34%	4,93	0,84%
Other short-term provisions	7,23	1,05%	5,24	0,89%
Liabilities and provisions	**476,94**	**69,15%**	**395,30**	**67,15%**
Total liabilities and equity	**689,76**	**100%**	**588,64**	**100,00%**

Ratios definitions

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

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

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

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

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

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

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

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

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

1.6 Evaluation of financial resources management

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

The main financial risk factors related to Eurocash operations are as follows:

Liquidity risk

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

Currency risk

Eurocash revenues and costs are predominately denominated in PLN.

1.7 Assessment of the possibility of executing the planned investments

Major investments planned in 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 S.A. intends to use the cash generated by the company and bank debt.

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

1.8 Significant events and factors affecting the 2007 financial results

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

2 Eurocash development perspectives

2.1 Eurocash business overview

The business of Eurocash S.A. in 2007 consisted 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.

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.

Eurocash S.A. offers around 3500 products in Cash&Carry stores and app. 7000 in Delikatesy Centrum Distribution Centers. 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.

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

Product groups	2007	%	2006	%
	PLN million		PLN million	
Dry groceries	562,63	22,07%	377,3	19,6%
Fresh food and fat	390,48	15,32%	306,9	15,9%
Canned food and drinks	333,96	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%	85,45	4,4%
Total	**2 549,99**	**100,0%**	**1 927,01**	**100,0%**

Besides offering well-known brands, Eurocash also markets products available exclusively in its chain; the sales of such products account for 12.90% 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 S.A 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 2007 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 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 S.A. development strategy

The strategic objectives of Eurocash Group are:

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

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

2.5.1 Discount Cash&Carry and abc franchise network

Growth of Eurocash Discount Cash & Carry operations focuses on 2 measures: 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. In 2007 number of Eurocash Discount Cash & Carry exceeded 100 and reached **102** at the end of 2007.

2.5.2 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.

2.6 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 for which small and mid-sized shops located off large agglomerations are the most relevant group of customers. A growth in the share of modern distribution will reduce the potential market of the Eurocash business.

The structure of the traditional FMCG distribution channel. Competition

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

Internal factors

IT systems

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

New investments

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

Suppliers

Eurocash 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. hale been related to modernization and remodeling of Eurocash Cash&Carry stores.

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 S.A. did not entered into any significant agreements regarding taking or granting sureties for a credit, loans or guarantees.

In 2007 Eurocash S.A. 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 Piąṭkiewicz resigned from the Management Board of the parent company.

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 Separate Financial Statements part in note no 27.

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

Poza programami motywacyjnym dla kadry menadżerskiej i pracowników Zarząd Eurocash nie posiada informacji na temat jakichkolwiek umów, które mogłyby skutkować w przyszłości zmianą w proporcjach pakietów akcji posiadanych przez akcjonariuszy.

3.10 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.

3.11 System for controlling employee share option schemes

Below we present the summaruy 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 serie sof 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.

3.12 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.

3.13 Information on the registered audit company

The financial statement of Eurocash S.A. 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 financial statement of Eurocash S.A. 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 separate annual financial statements and comparable data have been drawn up in accordance with the applicable accounting principles and give a true and fair view of the economic and financial position of Eurocash and of the results of its operations,
- the report of the Management Board on the business activities of Eurocash in 2007 contains a true views of the development, achievements and position of Eurocash, 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. o.o., the entity qualified to audit financial statements, which audited the annual separate financial statements of Eurocash S.A., has been appointed in compliance with the applicable laws and regulations. The entity and the auditors have met the prerequisites for giving an impartial and independent opinion on the audit in accordance with the applicable provisions of the law.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President	Luis Amaral	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/Ładkorporacyjny/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 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.