



**EUROCASH**

**CONSOLIDATED QUARTERLY REPORT**

**1<sup>st</sup> QUARTER 2007**

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**MANAGEMENT DISCUSSION OF THE FINANCIAL RESULTS FOR THE 1Q 2007**

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**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.

## Management discussion of the financial results for the 1Q 2007

### 1. Eurocash: Key financial and operational highlights in 1Q 2007

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

#### Eurocash Discount Cash&Carry stores:

- In 1Q 2007 sales of Eurocash Discount Cash&Carry stores amounted to PLN 452.01m and increased by 14.15% comparing with 2006.
- LFL sales growth (same number of stores) in Eurocash Discount Cash&Carry stores amounted to 9.82% in 1Q 2007.
- Number of abc stores reached 2,384 at the end of 1Q 2007.
- In 1Q 2007 share of abc stores in total sales of Discount Cash & Carry stores amounted to 44.5% comparing with 43.5% in 2006.
- Sales to abc shops in 1Q 2007 increased by 14.11% comparing with 2006.

#### Delikatesy Centrum Distribution Centers:

- Sales in 1Q 2007 of Delikatesy Centrum stores amounted to PLN 97,53m.
- Number of "Delikatesy Centrum" franchise stores at the end of 1Q 2007 amounted to 251.

#### KDWT - Active Distribution:

- In 1Q 2007 sales of KDWT stores amounted to PLN 492,96 m.
- Number of KDWT branches as of the end of 1Q 2007 amounted to 65 plus 3 distribution centers

### 2. Eurocash Group

#### Profit & loss account

**Table 1 Eurocash Group: Summary of consolidated financial results for 1Q 2007**

	PLN million	1Q 2007
Sales revenues (traded goods, materials)		1 008,76
<i>Sales in Discount Cash &amp; Carry stores</i>		452,01
<i>Sales of "Delikatesy Centrum" Distribution Centers</i>		97,53
<i>Sales in KDWT</i>		492,96
<i>Other</i>		6,67
<i>Exclusions</i>		(40,40)
Gross profit/(loss) on sales		82,80
<i>(Gross profitability on sales %)</i>		8,21%
EBITDA		16,50
<i>(EBITDA margin %)</i>		1,64%
EBIT		8,15
<i>(EBIT margin%)</i>		0,81%
Gross profit		5,92
Net income		4,46
<i>Net profitability %</i>		0,44%

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

Below we present the consolidated results for 1Q 2007 split by the following business segments:

- traditional wholesale – wholesale operations conducted by the Cash & Carry discount chain and business unit Delikatesy Centrum, which consist of 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.
- other – franchise services to the Delikatesy Centrum franchise stores (Eurocash Franszyza sp. z o.o.) and real estate services (Eurocash Detal Sp. z o.o.)

**Table 2 Eurocash Group: Summary of financial results for 1Q 2007 by business segment**

PLN million	Traditional wholesale	Active distribution	Other	Exclusions	Total
Sales revenues	549,5	493,0	6,7	(40,4)	1 008,8
EBITDA	11,5	3,9	1,1	0,0	16,5
<i>(EBITDA margin %)</i>	2,1%	0,8%	16,0%	-0,1%	1,6%
EBIT	4,2	3,2	0,8	0,0	8,1
<i>(EBIT margin%)</i>	0,8%	0,6%	11,8%	-0,1%	0,8%
Gross profit	-	-	(1,4)	0,0	5,9
Income tax	-	-	(1,5)	(0,0)	(1,5)
Net income	-	-	(2,9)	0,0	4,5
<i>Net profitability %</i>					0,4%

### Cash flow

**Table 3 Eurocash Group: Consolidated cash flow for 1Q 2007**

PLN million	1Q 2007
Operating cash flow	18,63
<i>Gross profit (loss)</i>	5,92
<i>Depreciation</i>	8,35
<i>Change in working capital</i>	9,56
<i>Other</i>	(5,20)
Cash flow from investments	29,25
Cash flow from financing activities	(14,15)
<b>Total cash flow</b>	<b>33,73</b>

Total cash flow of Eurocash Group in 1Q 2007 amounted to PLN 33.73 million.

### Working capital

**Table 4 Eurocash Group: Consolidated working capital ratios flow for 1Q 2007**

Turnover in days	1 Q 2007	4 Q 2006
1. Inventories turnover	18,4	18,7
2. Trade receivables turnover	13,6	14,2
3. Trade liabilities turnover	36,3	36,3
<b>4. Operating cycle (1+2)</b>	<b>32,0</b>	<b>32,8</b>
<b>5. Cash conversion (4-3)</b>	<b>(4,3)</b>	<b>(3,5)</b>

The cash conversion cycle in 1Q 2007 was improved by 0.8 day comparing with 4Q 2005 (as the only quarter with full results of KDWT and Delikatesy Centrum Distribution Centers). It was caused by decrease of the trade receivables turnover to 13.6 days.

### Balance sheet

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 5 Eurocash Group: Selected consolidated balance sheet items**

PLN million	31.03.2007		31.12.2006	
Fixed assets	259,57	37,50%	262,00	37,53%
Current assets	432,59	62,50%	436,12	62,47%
<b>Total assets</b>	<b>692,16</b>	<b>100,00%</b>	<b>698,12</b>	<b>100,00%</b>
Equity	204,46	29,54%	199,03	28,51%
Liabilities and provisions	487,70	70,46%	499,09	71,49%
<b>Total liabilities and equity</b>	<b>692,16</b>	<b>100,00%</b>	<b>698,12</b>	<b>100,00%</b>

### 3. Eurocash S.A.

#### Profit & loss account

**Table 6 Eurocash S.A.: Summary of financial results for 1Q 2007**

PLN million	1Q 2007	1Q 2006	change 1Q 2007 / 1Q 2006
Sales revenues	549,54	395,97	38,78%
Sales in Discount Cash & Carry stores	452,01	395,97	14,15%
Sales of "Delikatesy Centrum" Distribution Centers	97,53	-	-
Gross profit/(loss) on sales (Gross profitability on sales %)	62,19 11,32%	46,44 11,73%	33,92% -0,41%
EBITDA (EBITDA margin%)	11,50 2,09%	5,23 1,32%	120,06% 0,77%
EBIT (EBIT margin%)	4,15 0,76%	(1,43) -0,36%	-390,12% 1,12%
Gross profit	2,75	(1,18)	-332,15%
Net income	1,97	(1,85)	-206,35%
Net profitability %	0,36%	-0,47%	0,83%

In 1Q 2007 sales of Eurocash S.A. increased by 38.8% and amounted to PLN 549.5m. Main reason for such growth was the addition of sales to the Delikatesy Centrum franchise chain. Gross margin on sales was lower than in 1Q 2006, however due to increase of sales in Eurocash Discount Cash & Carry stores and sales to the Delikatesy Centrum franchise chain, EBITDA amounted in 1Q 2007 to PLN 11.5m. Net income amounted to almost PLN 2.0m, comparing with net loss of 1.9m in 1Q 2006.

**Table 7 Eurocash S.A.: Costs analysis for 1Q 2007**

PLN million	1Q 2007	1Q 2006	change 1Q 2007 / 1Q 2006
Gross profit/(loss) on sales (Gross profitability on sales %)	62,19 11,32%	46,44 11,73%	33,92% -0,41%
Costs of sales: (as % of sales)	(39,30) 7,15%	(30,51) 7,70%	28,82% -0,55%
General Management costs: (as % of sales)	(18,90) 3,44%	(16,57) 4,18%	14,10% -0,74%
Profit/loss on sales (as % of sales)	3,99 0,73%	(0,63) -0,16%	-729,01% 0,89%
Other operating income	2,32	1,05	121,69%
Other operating costs	(2,16)	(1,84)	17,09%
Operating profit – EBIT (EBIT margin %)	4,15 0,76%	(1,43) -0,36%	-390,12% 1,12%
Depreciation	7,35	6,66	10,38%
EBITDA (EBITDA margin%)	11,50 2,09%	5,23 1,32%	120,06% 0,77%

### Cash flow

**Table 8 Eurocash S.A.: Cash flow for 1Q 2007**

PLN million	1Q 2007	1Q 2006
Operating cash flow	6,32	48,34
<i>Gross profit (loss)</i>	2,75	(1,18)
<i>Depreciation</i>	7,35	6,66
<i>Change in working capital</i>	1,00	49,31
<i>Other</i>	(4,77)	(6,45)
Cash flow from investments	29,41	(62,70)
Cash flow from financing activities	(15,24)	(0,61)
<b>Total cash flow</b>	<b>20,49</b>	<b>(14,98)</b>

Total cash flow of Eurocash S.A. in 1Q 2007 amounted to PLN 20.49 million.

### Working capital

**Table 9 Eurocash S.A.: Working capital ratios flow for 1Q 2007**

Turnover in days	1Q 2007	4Q 2006	1Q 2006
1. Inventories turnover	24,8	26,2	27,4
2. Trade receivables turnover	13,9	15,4	6,8
3. Trade liabilities turnover	59,0	63,5	56,3
<b>4. Operating cycle (1+2)</b>	<b>38,7</b>	<b>41,6</b>	<b>34,2</b>
<b>5. Cash conversion (4-3)</b>	<b>(20,3)</b>	<b>(21,9)</b>	<b>(22,0)</b>

The cash conversion cycle in 1Q 2007 was worse comparing with 1Q and 4Q 2006. What should be noted, was improvement of turnover ratios of inventories and trade receivables comparing with 4Q 2006. Turnover ratio of trade liabilities amounted to 59 days, which was below 4Q 2006 figure, but improved comparing with 1Q 2006.

### Balance sheet

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 10 Eurocash S.A.: Selected balance sheet items**

PLN million	31.03.2007		31.12.2006		31.03.2006	
Fixed assets	277,59	49,02%	281,94	47,90%	236,57	49,57%
Current assets	288,67	50,98%	306,70	52,10%	240,68	50,43%
<b>Total assets</b>	<b>566,26</b>	<b>100,00%</b>	<b>588,64</b>	<b>100,00%</b>	<b>477,25</b>	<b>100,00%</b>
Equity	196,28	34,66%	193,34	32,85%	174,29	36,52%
Liabilities and provisions	369,98	65,34%	395,30	67,15%	302,96	63,48%
<b>Total liabilities and equity</b>	<b>566,26</b>	<b>100,00%</b>	<b>588,64</b>	<b>100,00%</b>	<b>477,25</b>	<b>100,00%</b>

#### 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.*

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

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

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

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

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

#### 4. Major events and factors that influence Eurocash S.A. income or loss.

- There have been no major events that influenced Eurocash S.A. income or loss in 1Q 2007.

#### 5. Development perspectives

##### 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.

##### Internal Factors:

- Integration of KDWT operations and business acquired from Carment

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

In order to optimise the day-to-day operations of KDWT and Eurocash, KDWT will be merged with Eurocash, so it will no longer operate as a separate legal entity, but it will be managed as a separate business unit of Eurocash.

- Development of new formats of wholesale distribution or new formats of retail stores franchise chains, in order to give a full offer to our clients and on the same time to achieve economies of scale.
- Organic expansion. Management of Eurocash Group expects, that during 2007 :
  - number of Eurocash cash & carry stores will increase by app. 6-10 stores,
  - number of Delikatesy Centrum franchise stores will increase by app. 40 stores,
  - KDWT will open app. 30 sales platforms within Eurocash cash & carry stores.
- Strict cost control

#### 6. Additional information

##### Explanations regarding seasonality

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

##### Issuance, redemption and repayment of debt and capital securities

In 1Q 2007 Eurocash S.A. did not issue, acquire or repay debt or capital securities.

##### Changes in the basic management principles

In connection with established expansion strategy of Eurocash and internal consolidated process of Eurocash Group subsidiaries in March 2007 a decision about merger of Eurocash with KDWT was made. The merger of Eurocash with KDWT determines realization of expansion strategy of Eurocash and is done on accelerate of expansion and fullness using potential of both Companies. Besides the

merger will allow to simplify organization structure and cost savings. Information on the plan of merger was published in current report no 5/2007 dated 23 March 2007.

**The Board opinion on the possibilities to carry out previously published financial forecasts for a given year.**

The Management Board of Eurocash S.A. has not published or does not intend to publish financial forecasts for 2007.

**Shareholders owning directly or indirectly – through dependent entities – at least 5 % of total number of votes at the general assembly.**

Shareholder	15.05.2007				31.12.2006			
	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)
1. Luis Manuel Conceicao do Amaral (directly and indirectly through Politra B.V.)	70,258,100	55 %	70,258,100	55 %	70,258,100	55 %	70,258,100	55 %
2. ING Nationale – Nederlanden Polska Otwarty Fundusz Emerytalny	6 598 714	5.17%	6 598 714	5.17%	6 598 714	5.17%	6 598 714	5.17%
3. Charlemagne Capital (IOM) Limited	n.a.	n.a.	n.a.	n.a.	6,488,383	5.08%	6,488,383	5.08%

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

as of 15.05.2007	Eurocash Series A shares	Rights to acquire Series B shares	Rights to acquire Series C shares	Rights to acquire Series D shares	Total
<i>Management Board members</i>					
Luis Amaral (directly and indirectly)	70,258,100	0	0	0	70,258,100
Rui Amaral	0	643,000	498,550	0	1,141,550
Katarzyna Kopaczewska	0	164,000	157,000	0	321,000
Arnaldo Guerreiro	0	483,000	400,000	0	883,000
Pedro Martinho	0	323,000	224,000	0	547,000
Ryszard Majer	0	164,000	157,000	0	321,000
Roman Piatkiewicz	0	0	0	507,222	507,222
<i>Supervisory Board members</i>					
Eduardo Aguinaga de Mores	0	0	0	0	0
Joao Borges de Assuncao	0	0	0	0	0
Ryszard Wojnowski	0	0	0	0	0
Janusz Lisowski	0	0	0	0	0
Antonio Jose Santos Silva Casanova	0	0	0	0	0



**Information on legal suits.**

In the 1Q 2007 companies belonging to Eurocash group were not involved into any legal suit in any court, nor in a body competent for arbitration proceedings nor an administrative body, which total value would amount to at least 10 % of equity.

**Information concerning granting by the issuer or a dependent unit credit or loan surety or a guarantee.**

In the 1Q 2007 Eurocash granted surety for liabilities of KDWT S.A. up to amount of PLN 23 million, in relation with a credit facility granted KDWT S.A. by Bank Millennium S.A. in Warsaw. Shall the following conditions be fulfilled:

- a) KWDT S.A. will repay the credit liability in amount not lower than PLM 15.5 million
  - b) Amount of outstanding credit liability will be to higher than PLN 32.5 million
- then the amount of surety will be decreased to the amount of PLN 8 million.

In the 1Q 2007 Eurocash did not grant any other surety for a credit or a loan nor did it grant any guarantee of total value equivalent to 10% of the issuer's equity.

**Signatures of Management Board Members representing the Company:**

Position	Name and surname	Date	Signature
Management Board Member Chief Executive Officer	Rui Amaral	15 <sup>th</sup> May 2007	
Management Board Member Financial Executive Officer	Arnaldo Guerreiro	15 <sup>th</sup> May 2007	

**EUROCASH S.A.**

**QUARTERLY ABBREVIATED  
CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE PERIOD FROM 1<sup>ST</sup> JANUARY 2007 TO 31<sup>ST</sup> MARCH 2007

**TRANSLATORS' EXPLANATORY NOTE**

The following document is a free translation of the report of the above-mentioned Polish Company.  
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KOMORNIKI, 15<sup>th</sup> May 2007

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<i>Quarterly abbreviated consolidated financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.12.2006	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## GENERAL INFORMATION

### 1. INFORMATION ON THE COMPANY

#### 1.1. COMPANY NAME

EUROCASH Spółka Akcyjna

#### 1.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

#### 1.3. CORE BUSINESS

Other wholesale (PKD 5190 Z)

#### 1.4. REGISTRY COURT

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

#### 1.5. DURATION OF THE COMPANY

Indefinite

#### 1.6. PERIOD COVERED BY THE ABBREVIATED FINANCIAL STATEMENTS

The reporting period 1<sup>st</sup> January 2007 – 31<sup>st</sup> March 2007 and comparable periods: 1<sup>st</sup> January 2006 – 31<sup>st</sup> March 2006

### 2. COMPANY'S GOVERNING BODIES

#### 2.1. MANAGEMENT BOARD

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

#### 2.2. SUPERVISORY BOARD

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

#### 2.3. CHANGES IN THE COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BOARDS

In reporting period there were any changes in the composition of both the management and supervisory boards.

<i>Quarterly abbreviated consolidated financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.12.2006	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## SELECTED CONSOLIDATED FINANCIAL DATA

### SELECTED CONSOLIDATED FIGURES AS AT 31 MARCH 2007

	for period od 01.01.2007 do 31.03.2007 PLN	for period od 01.01.2006 do 31.03.2006 PLN	for period od 01.01.2007 do 31.03.2007 EUR	for period od 01.01.2006 do 31.03.2006 EUR
Net sales	1 008 763 508	395 973 157	258 240 152	102 967 848
Operating profit (loss)	8 146 436	(1 431 174)	2 085 461	(372 159)
Profit (loss) before tax	5 918 451	(1 182 648)	1 515 104	(307 533)
Net Profit (loss) on continued operations	4 455 486	(1 853 624)	1 140 590	(482 012)
Net profit (loss)	4 455 486	(1 853 624)	1 140 590	(482 012)
Net operating cash flow	18 628 861	(12 676 848)	4 768 927	(3 296 455)
Net investment cash flow	29 250 456	7 016 482	7 488 021	1 824 548
Net financial cash flow	(14 148 050)	(610 512)	(3 621 854)	(158 756)
Net change in cash and cash equivalents	33 731 268	(6 270 878)	8 635 094	(1 630 663)
Weighted average number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Weighted average diluted number of shares	137 093 549	134 129 100	137 093 549	134 129 100
EPS (in PLN / EUR)	0,03	(0,01)	0,01	(0,00)
Diluted EPS (in PLN / EUR)	0,03	(0,01)	0,01	(0,00)
PLN / EUR average rate in the period*			3,9063	3,8456
	at the 31.12.2006 PLN	at the 31.12.2005 PLN	at the 31.12.2006 EUR	at the 31.12.2005 EUR
Assets	692 159 585	565 697 597	178 875 716	143 734 938
Long-term liabilities	18 564 466	18 749 912	4 797 640	4 764 060
Short-term liabilities	469 136 352	372 659 963	121 239 528	94 687 086
Equity	204 458 767	174 287 721	52 838 549	44 283 792
Share capital	127 742 000	127 742 000	33 012 534	32 457 250
Number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Diluted number of shares	137 093 549	134 129 100	137 093 549	134 129 100
Book value per share (in PLN / EUR)	1,60	1,36	0,41	0,35
Diluted book value per share (in PLN / EUR)	1,49	1,30	0,39	0,33
Declared or paid dividend (in PLN / EUR)	20 438 720	-	5 282 005	-
Declared or paid dividend per share (in PLN / EUR)	0,16	-	0,04	-
PLN / EUR rate at the end of the period**			3,8695	3,9357

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

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

<i>Quarterly abbreviated consolidated financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.12.2006	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2007 (functional classification)

	1st quarter for period od 01.01.2007 do 31.03.2007	1st quarter for period od 01.01.2006 do 31.03.2006
<i>Continued operations</i>		
<b>Net sales</b>	<b>1 008 763 508</b>	<b>395 973 157</b>
Net sales of traded goods	994 049 511	388 125 876
Net sales of services	14 713 997	7 847 281
Net sales of materials	-	-
<b>Prime costs of sales</b>	<b>(925 959 916)</b>	<b>(349 532 610)</b>
Costs of sold traded goods	(925 959 916)	(349 532 610)
Costs of sold services	-	-
Costs of sold materials	-	-
<b>Gross profit (loss) on sales</b>	<b>82 803 592</b>	<b>46 440 547</b>
Costs of sales	(50 141 724)	(30 509 225)
Costs of general management	(24 661 686)	(16 565 518)
<b>Profit (loss) on sales</b>	<b>8 000 181</b>	<b>(634 196)</b>
Other operating revenues	2 498 118	1 047 983
Other operating costs	(2 351 862)	(1 844 961)
Share in profits of companies consolidated with the equity method	-	-
Costs of restructuring	-	-
<b>Operating profit (loss)</b>	<b>8 146 436</b>	<b>(1 431 174)</b>
Financial revenues	512 535	598 658
Financial costs	(2 740 520)	(350 132)
Other profit (loss) on investments	-	-
<b>Profit (loss) before tax</b>	<b>5 918 451</b>	<b>(1 182 648)</b>
Income tax	(1 462 965)	(670 976)
<b>Net profit (loss) on continued operations</b>	<b>4 455 486</b>	<b>(1 853 624)</b>
<i>Discontinued operations</i>		
Net loss on discontinued operations	-	-
<b>Net profit (loss)</b>	<b>4 455 486</b>	<b>(1 853 624)</b>
<b>NET EARNINGS PER SHARE</b>		
	PLN / akcję	PLN / akcję
Net profit (loss) on continued operations	4 455 486	(1 853 624)
Net profit (loss) on continued and discontinued operations	4 455 486	(1 853 624)
Weighted average number of shares	127 742 000	127 742 000
Weighted average diluted number of shares	137 093 549	134 129 100
<b>from continued operations</b>		
- basic	0,03	(0,01)
- diluted	0,03	(0,01)
<b>from continued and discontinued operations</b>		
- basic	0,03	(0,01)
- diluted	0,03	(0,01)

<i>Quarterly abbreviated consolidated financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.12.2006	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

### CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

	as at 31.03.2007	as at 31.12.2006	as at 31.03.2006	as at 31.12.2005
<i>Assets</i>				
<b>Fixed assets (long-term)</b>	<b>259 566 409</b>	<b>262 001 298</b>	<b>220 173 239</b>	<b>180 607 408</b>
Goodwill	33 823 699	33 823 699	19 836 473	-
Intangible fixed assets	114 978 813	117 191 229	124 891 261	110 819 059
Tangible fixed assets	106 051 979	108 997 566	74 427 004	67 732 878
Investment real property	53 323	51 977	-	-
Investments in subsidiary companies	-	-	-	-
Long-term financial assets available for sale	-	-	-	-
Other long-term financial assets	-	-	61 885	-
Long-term receivables	1 758 794	1 588 307	560 359	555 759
Long-term prepayments	2 899 801	348 521	396 256	1 499 712
Deferred income tax assets	-	-	-	1 103 455
Other long-term prepayments	2 899 801	348 521	396 256	396 256
<b>Current assets (short-term)</b>	<b>432 593 176</b>	<b>436 118 658</b>	<b>345 524 358</b>	<b>261 334 348</b>
Inventories	206 084 771	209 544 886	161 811 950	120 260 552
Trade receivables	152 456 394	160 364 271	82 143 123	36 889 803
Current income tax receivables	-	-	-	-
Other short-term receivables	11 569 468	22 638 411	4 602 138	2 706 467
Short-term financial assets available for sale	-	-	-	-
Short-term financial assets held for trade	-	-	-	-
Other short-term financial assets	-	-	-	-
Cash and cash equivalents	58 823 511	41 246 629	92 773 886	99 044 764
Short-term prepayments	3 659 032	2 324 460	4 193 260	2 432 762
Fixed assets classified as held for sale	-	-	-	-
<b>Total assets</b>	<b>692 159 585</b>	<b>698 119 956</b>	<b>565 697 597</b>	<b>441 941 757</b>

<i>Quarterly abbreviated consolidated financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.12.2006	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### SEPARATE BALANCE SHEET AS AT 31 MARCH 2007

	as at 31.03.2007	as at 31.12.2006	as at 31.03.2006	as at 31.12.2005
<i>Liabilities</i>				
<b>Equity</b>	<b>204 458 767</b>	<b>199 032 578</b>	<b>174 287 721</b>	<b>175 749 434</b>
Share capital	127 742 000	127 742 000	127 742 000	127 742 000
Supplementary capital	30 029 906	29 059 203	15 174 214	14 782 302
Retained earnings	46 686 861	42 231 375	31 371 508	33 225 132
Profit (loss) of prior years	42 231 375	658 983	33 225 132	658 983
Net profit (loss) of the current year	4 455 486	41 572 392	(1 853 624)	32 566 149
<b>Liabilities</b>	<b>487 700 818</b>	<b>499 087 378</b>	<b>391 409 875</b>	<b>266 192 323</b>
<b>Long-term liabilities</b>	<b>18 564 466</b>	<b>19 228 821</b>	<b>18 749 912</b>	<b>4 670 131</b>
Long-term loans and credits	-	-	-	-
Other long-term financial liabilities	12 440 088	12 734 894	4 068 760	4 313 378
Other long-term liabilities	2 499 999	2 499 999	12 499 995	-
Deferred income tax provision	3 122 620	3 492 169	1 440 668	-
Provision for employee benefits	501 759	501 759	420 373	356 753
Other long-term provisions	-	-	320 115	-
<b>Short-term liabilities</b>	<b>469 136 352</b>	<b>479 858 556</b>	<b>372 659 963</b>	<b>261 522 192</b>
Short-term loans and credits	60 241 252	73 502 624	44 878 555	-
Other short-term financial liabilities	2 498 713	2 535 759	1 741 962	1 743 252
Trade liabilities	373 634 861	371 191 217	257 869 929	236 854 087
Current income tax liabilities	4 151 027	3 537 007	403 339	4 188 247
Other short-term liabilities	16 512 206	18 753 068	57 199 074	8 141 837
Short-term provisions	12 098 294	10 338 882	10 567 105	10 594 769
Liabilities due to fixed assets held for sale	-	-	-	-
<b>Total liabilities</b>	<b>692 159 585</b>	<b>698 119 956</b>	<b>565 697 597</b>	<b>441 941 757</b>

#### BOOK VALUE PER SHARE AS AT 31 MARCH 2007

	1 kwartał as at 31.03.2007	4 kwartał as at 31.12.2006	1 kwartał as at 31.03.2006	4 kwartał as at 31.12.2005
<b>Book value</b>	<b>204 458 767</b>	<b>199 032 578</b>	<b>174 287 721</b>	<b>175 749 434</b>
Number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Diluted number of shares	137 093 549	134 934 158	134 129 100	134 129 100
<b>Book value per share</b>	<b>1,60</b>		<b>1,36</b>	
<b>Diluted book value per share</b>	<b>1,49</b>		<b>1,30</b>	

#### OFF BALANCE SHEET ITEMS

<b>Contingent Receivables</b>	-	-	-	-
Related companies	-	-	-	-
Other companies	-	-	-	-
<b>Contingent Liabilities</b>	<b>6 058 109</b>	<b>6 537 526</b>	<b>7 604 205</b>	<b>7 697 944</b>
Related companies	-	-	-	-
Other companies	6 058 109	6 537 526	7 604 205	7 697 944
- guaranties and sureties granted	6 058 109	6 537 526	7 604 205	7 697 944
<b>Other</b>	-	-	-	-
<b>Total</b>	<b>6 058 109</b>	<b>6 537 526</b>	<b>7 604 205</b>	<b>7 697 944</b>



<i>Quarterly abbreviated consolidated financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.12.2006	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

	1st quarter	1st quarter
	for period	for period
	od 01.01.2007	od 01.01.2006
	do 31.03.2007	do 31.03.2006

*Operating cash flow*

<b>Net profit before tax</b>	<b>5 918 451</b>	<b>(1 182 648)</b>
<b>Adjustments:</b>	<b>10 635 740</b>	<b>6 208 934</b>
Depreciation	8 354 979	6 657 194
(Profit) loss on sold tangible fixed assets	(66 158)	22 702
(Profit) loss on sold financial assets available for sale	-	-
Costs of interest	2 346 918	115 857
Interest received	-	(586 820)
<b>Operating cash before changes in working capital</b>	<b>16 554 190</b>	<b>5 026 286</b>
Changes in inventory	3 422 240	(238 483)
Changes in receivables	24 512 533	6 789 818
Changes in liabilities	(16 145 728)	(20 186 219)
Changes in provisions and accruals	(3 204 260)	884 765
Other adjustments	970 703	1 046 938
<b>Operating cash</b>	<b>26 109 678</b>	<b>(6 676 896)</b>
Interest paid	(2 448 821)	(1 408 366)
Income tax paid	(5 031 996)	(4 591 586)
<b>Net operating cash</b>	<b>18 628 861</b>	<b>(12 676 848)</b>

*Investment cash flow*

Expenditures for purchased intangible fixed assets	(257 083)	(121 003)
Receipts from sold intangible fixed assets	-	-
Expenditures for purchased tangible fixed assets	(4 113 833)	(2 389 904)
Receipts from sold tangible fixed assets	1 515 435	235 839
Expenditures for purchased financial assets as held for sale	-	-
Expenditures for purchased subsidiaries (less for cash taken)	32 105 938	8 704 730
Given loans	-	-
Interest received	-	586 820
<b>Net investment cash</b>	<b>29 250 456</b>	<b>7 016 482</b>

*Financing cash flow*

Receipts due to taking loans and credits	17 138 471	-
Repaid loans and credits	(30 399 843)	-
Repaid liabilities under financial lease	(645 359)	(503 291)
Interest	(241 319)	(107 220)
Dividend paid	-	-
<b>Net financing cash</b>	<b>(14 148 050)</b>	<b>(610 512)</b>
<b>Net change in cash and cash equivalents</b>	<b>33 731 268</b>	<b>(6 270 878)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>25 092 243</b>	<b>99 044 764</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>58 823 511</b>	<b>92 773 886</b>

<i>Quarterly abbreviated consolidated financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.12.2006	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**SEPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 1 JANUARY TO 31 MARCH 2007**

	Share capital	Supplementary capital	Retained earnings	Total
<b>Balance as at 1 January 2006</b>	<b>127 742 000</b>	<b>14 782 302</b>	<b>33 225 132</b>	<b>175 749 434</b>
Changes in the principles (policy) of accounting	-	-	-	-
<b>Balance upon changes</b>	<b>127 742 000</b>	<b>14 782 302</b>	<b>33 225 132</b>	<b>175 749 434</b>

*Changes in equity in the period from 1 January to 31 March 2006*

Net profit for the period from 1 January to 31 March 2006	-	-	(1 853 624)	<b>(1 853 624)</b>
<b>Total profit and loss recorded in the period from 1 January to 31 March 2006</b>	-	-	<b>(1 853 624)</b>	<b>(1 853 624)</b>
Issued options convertible into shares	-	391 912	-	<b>391 912</b>
<b>Balance as at 31 March 2006</b>	<b>127 742 000</b>	<b>15 174 214</b>	<b>31 371 508</b>	<b>174 287 721</b>

<b>Balance as at 01 January 2007</b>	<b>127 742 000</b>	<b>29 059 203</b>	<b>42 583 191</b>	<b>199 384 394</b>
Changes in the principles (policy) of accounting	-	-	-	-
<b>Balance after changes</b>	<b>127 742 000</b>	<b>29 059 203</b>	<b>42 583 191</b>	<b>199 384 394</b>

*Changes in equity in the period from 1 January to 31 March 2007*

Net profit for the period from 1 January to 31 March 2007	-	-	4 103 670	<b>4 103 670</b>
<b>Total profit and loss recorded in the period from 1 January to 31 March 2007</b>	-	-	<b>4 103 670</b>	<b>4 103 670</b>
Issued options convertible into shares	-	970 703	-	<b>970 703</b>
<b>Balance as at 31 March 2007</b>	<b>127 742 000</b>	<b>30 029 906</b>	<b>46 686 861</b>	<b>204 458 767</b>

<i>Quarterly abbreviated consolidated financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.12.2006	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## SELECTED UNIT FINANCIAL DATA

### SELECTED SEPARATE FIGURES AS AT 31 MARCH 2007

	for period od 01.01.2007 do 31.03.2007 PLN	for period od 01.01.2006 do 31.03.2006 PLN	for period od 01.01.2007 do 31.03.2007 EUR	for period od 01.01.2006 do 31.03.2006 EUR
Net sales	549 538 746	395 973 157	140 680 118	102 967 848
Operating profit (loss)	4 152 164	(1 431 174)	1 062 940	(372 159)
Profit (loss) before tax	2 745 508	(1 182 648)	702 841	(307 533)
Net Profit (loss) on continued operations	1 971 371	(1 853 624)	504 665	(482 012)
Net profit (loss)	1 971 371	(1 853 624)	504 665	(482 012)
Net operating cash flow	6 321 008	48 336 164	1 618 157	12 569 213
Net investment cash flow	29 407 108	(62 701 260)	7 528 123	(16 304 676)
Net financial cash flow	(15 242 459)	(610 512)	(3 902 020)	(158 756)
Net change in cash and cash equivalents	20 485 657	(14 975 608)	5 244 261	(3 894 219)
Weighted average number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Weighted average diluted number of shares	137 093 549	134 129 100	137 093 549	134 129 100
EPS (in PLN / EUR)	0,02	(0,01)	0,00	(0,00)
Diluted EPS (in PLN / EUR)	0,01	(0,01)	0,00	(0,00)
PLN / EUR average rate in the period*			3,9063	3,8456
	at the 31.12.2006 PLN	at the 31.12.2005 PLN	at the 31.12.2006 EUR	at the 31.12.2005 EUR
Assets	566 263 724	477 248 358	146 340 283	121 261 366
Long-term liabilities	15 662 098	16 925 508	4 047 577	4 300 508
Short-term liabilities	354 320 132	286 035 128	91 567 420	72 677 066
Equity	196 281 493	174 287 721	50 725 286	44 283 792
Share capital	127 742 000	127 742 000	33 012 534	32 457 250
Number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Diluted number of shares	137 093 549	134 129 100	137 093 549	134 129 100
Book value per share (in PLN / EUR)	1,54	1,36	0,40	0,35
Diluted book value per share (in PLN / EUR)	1,43	1,30	0,37	0,33
Declared or paid dividend (in PLN / EUR)	20 438 720	-	5 282 005	-
Declared or paid dividend per share (in PLN / EUR)	0,16	-	0,04	-
PLN / EUR rate at the end of the period**			3,8695	3,9357

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

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

<i>Quarterly abbreviated consolidated financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.12.2006	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## ABBREVIATED UNIT FINANCIAL STATEMENTS

### SEPARATE PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2007 (functional classification)

	1st quarter for period od 01.01.2007 do 31.03.2007	1st quarter for period od 01.01.2006 do 31.03.2006
<i>Continued operations</i>		
<b>Net sales</b>	<b>549 538 746</b>	<b>395 973 157</b>
Net sales of traded goods	540 645 697	388 125 876
Net sales of services	8 893 049	7 847 281
Net sales of materials	-	-
<b>Prime costs of sales</b>	<b>(487 345 015)</b>	<b>(349 532 610)</b>
Costs of sold traded goods	(487 345 015)	(349 532 610)
Costs of sold services	-	-
Costs of sold materials	-	-
<b>Gross profit (loss) on sales</b>	<b>62 193 731</b>	<b>46 440 547</b>
Costs of sales	(39 303 049)	(30 509 225)
Costs of general management	(18 901 523)	(16 565 518)
<b>Profit (loss) on sales</b>	<b>3 989 159</b>	<b>(634 196)</b>
Other operating revenues	2 323 240	1 047 983
Other operating costs	(2 160 235)	(1 844 961)
Share in profits of companies consolidated with the equity method	-	-
Costs of restructuring	-	-
<b>Operating profit (loss)</b>	<b>4 152 164</b>	<b>(1 431 174)</b>
Financial revenues	433 799	598 658
Financial costs	(1 840 455)	(350 132)
Other profit (loss) on investments	-	-
<b>Profit (loss) before tax</b>	<b>2 745 508</b>	<b>(1 182 648)</b>
Income tax	(774 137)	(670 976)
<b>Net profit (loss) on continued operations</b>	<b>1 971 371</b>	<b>(1 853 624)</b>
<i>Discontinued operations</i>		
Net loss on discontinued operations	-	-
<b>Net profit (loss)</b>	<b>1 971 371</b>	<b>(1 853 624)</b>

### NET EARNINGS PER SHARE

	PLN/share	PLN/share
Net profit (loss) on continued operations	1 971 371	(1 853 624)
Net profit (loss) on continued and discontinued operations	1 971 371	(1 853 624)
Weighted average number of shares	127 742 000	127 742 000
Weighted average diluted number of shares	137 093 549	134 129 100
<b>from continued operations</b>		
- basic	0,02	(0,01)
- diluted	0,01	(0,01)
<b>from continued and discontinued operations</b>		
- basic	0,02	(0,01)
- diluted	0,01	(0,01)

<i>Quarterly abbreviated consolidated financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.12.2006	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**SEPARATE BALANCE SHEET AS AT 31 MARCH 2007**

	1st quarter as at 31.03.2007	4th quarter as at 31.12.2006	1st quarter as at 31.03.2006	4th quarter as at 31.12.2005
<i>Assets</i>				
<b>Fixed assets (long-term)</b>	<b>277 591 593</b>	<b>281 940 597</b>	<b>236 565 523</b>	<b>180 607 408</b>
Goodwill	9 975 600	9 975 600	-	-
Intangible fixed assets	100 869 669	103 052 844	108 541 630	110 819 059
Tangible fixed assets	91 221 540	93 562 313	64 805 825	67 732 878
Investment real property	-	-	-	-
Investments in subsidiary companies	73 413 012	73 413 012	61 013 012	-
Long-term financial assets available for sale	-	-	-	-
Other long-term financial assets	-	-	-	-
Long-term receivables	1 758 794	1 588 307	560 359	555 759
Long-term prepayments	352 977	348 521	1 644 697	1 499 712
Deferred income tax assets	-	-	1 248 441	1 103 455
Other long-term prepayments	352 977	348 521	396 256	396 256
<b>Current assets (short-term)</b>	<b>288 672 131</b>	<b>306 698 312</b>	<b>240 682 835</b>	<b>261 334 348</b>
Inventories	151 607 992	156 954 611	120 499 035	120 260 552
Trade receivables	84 633 390	92 539 162	30 028 588	36 889 803
Current income tax receivables	-	-	-	-
Other short-term receivables	4 640 817	13 979 260	2 773 264	2 706 467
Short-term financial assets available for sale	-	-	-	-
Short-term financial assets held for trade	-	-	-	-
Other short-term financial assets	-	15 950 000	-	-
Cash and cash equivalents	45 576 371	25 090 714	84 069 157	99 044 764
Short-term prepayments	2 213 561	2 184 565	3 312 791	2 432 762
Fixed assets classified as held for sale	-	-	-	-
<b>Total assets</b>	<b>566 263 724</b>	<b>588 638 910</b>	<b>477 248 358</b>	<b>441 941 757</b>

<i>Quarterly abbreviated consolidated financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.12.2006	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### SEPARATE BALANCE SHEET AS AT 31 MARCH 2007

	as at 31.03.2007	as at 31.12.2006	as at 31.03.2006	as at 31.12.2005
<i>Liabilities</i>				
<b>Equity</b>	<b>196 281 493</b>	<b>193 339 419</b>	<b>174 287 721</b>	<b>175 749 434</b>
Share capital	127 742 000	127 742 000	127 742 000	127 742 000
Supplementary capital	30 029 906	29 059 203	15 174 214	14 782 302
Retained earnings	38 509 588	36 538 217	31 371 508	33 225 132
Profit (loss) of prior years	36 538 217	658 983	33 225 132	658 983
Net profit (loss) of the current year	1 971 371	35 879 233	(1 853 624)	32 566 149
<b>Liabilities</b>	<b>369 982 231</b>	<b>395 299 490</b>	<b>302 960 636</b>	<b>266 192 323</b>
<b>Long-term liabilities</b>	<b>15 662 098</b>	<b>16 694 048</b>	<b>16 925 508</b>	<b>4 670 131</b>
Long-term loans and credits	-	-	-	-
Other long-term financial liabilities	12 343 062	12 734 894	4 068 760	4 313 378
Other long-term liabilities	2 499 999	2 499 999	12 499 995	-
Deferred income tax provision	480 461	1 120 579	-	-
Provision for employee benefits	338 577	338 577	356 753	356 753
Other long-term provisions	-	-	-	-
<b>Short-term liabilities</b>	<b>354 320 132</b>	<b>378 605 442</b>	<b>286 035 128</b>	<b>261 522 192</b>
Short-term loans and credits	-	14 355 781	-	-
Other short-term financial liabilities	2 481 850	2 535 759	1 741 962	1 743 252
Trade liabilities	319 474 948	329 365 403	218 491 901	236 854 087
Current income tax liabilities	3 460 780	3 537 007	9 283	4 188 247
Other short-term liabilities	17 662 899	18 789 655	54 830 822	8 141 837
Short-term provisions	11 239 656	10 021 837	10 961 160	10 594 769
Liabilities due to fixed assets held for sale	-	-	-	-
<b>Total liabilities</b>	<b>566 263 724</b>	<b>588 638 910</b>	<b>477 248 358</b>	<b>441 941 757</b>

#### BOOK VALUE PER SHARE AS AT 31 MARCH 2007

	1st quarter as at 31.03.2007	4th quarter as at 31.12.2006	1st quarter as at 31.03.2006	4th quarter as at 31.12.2005
<b>Book value</b>	<b>196 281 493</b>	<b>193 339 419</b>	<b>174 287 721</b>	<b>175 749 434</b>
Number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Diluted number of shares	137 093 549	134 934 158	134 129 100	134 129 100
<b>Book value per share</b>	<b>1,54</b>		<b>1,36</b>	
<b>Diluted book value per share</b>	<b>1,43</b>		<b>1,30</b>	

#### OFF BALANCE SHEET ITEMS

<b>Contingent Receivables</b>	-	-	-	-
Related companies	-	-	-	-
Other companies	-	-	-	-
<b>Contingent Liabilities</b>	<b>6 058 109</b>	<b>6 537 526</b>	<b>7 604 205</b>	<b>7 697 944</b>
Related companies	-	-	-	-
Other companies	6 058 109	6 537 526	7 604 205	7 697 944
- guaranties and sureties granted	6 058 109	6 537 526	7 604 205	7 697 944
<b>Other</b>	-	-	-	-
<b>Total</b>	<b>6 058 109</b>	<b>6 537 526</b>	<b>7 604 205</b>	<b>7 697 944</b>

<i>Quarterly abbreviated consolidated financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.12.2006	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**SEPARATE CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2007  
(indirect method)**

	1st quarter	1st quarter
	for period	for period
	od 01.01.2007	od 01.01.2006
	do 31.03.2007	do 31.03.2006

*Operating cash flow*

<b>Net profit before tax</b>	<b>2 745 508</b>	<b>(1 182 648)</b>
<b>Adjustments:</b>	<b>9 010 008</b>	<b>6 208 934</b>
Depreciation	7 348 303	6 657 194
(Profit) loss on sold tangible fixed assets	(53 228)	22 702
(Profit) loss on sold financial assets available for sale	-	-
Costs of interest	1 714 933	115 857
Interest received	-	(586 820)
<b>Operating cash before changes in working capital</b>	<b>11 755 516</b>	<b>5 026 286</b>
Changes in inventory	5 346 619	(238 483)
Changes in receivables	17 073 728	6 789 818
Changes in liabilities	(22 501 532)	40 826 793
Changes in provisions and accruals	106 548	884 765
Other adjustments	970 703	1 046 938
<b>Operating cash</b>	<b>12 751 581</b>	<b>54 336 116</b>
Interest paid	(1 816 836)	(1 408 366)
Income tax paid	(4 613 737)	(4 591 586)
<b>Net operating cash</b>	<b>6 321 008</b>	<b>48 336 164</b>

*Investment cash flow*

Expenditures for purchased intangible fixed assets	(209 306)	(121 003)
Receipts from sold intangible fixed assets	-	-
Expenditures for purchased tangible fixed assets	(3 784 170)	(2 389 904)
Receipts from sold tangible fixed assets	1 499 033	235 839
Expenditures for purchased subsidiaries (less for cash taken)	15 951 551	(61 013 012)
Given loans	15 950 000	-
Interest received	-	586 820
<b>Net investment cash</b>	<b>29 407 108</b>	<b>(62 701 260)</b>

*Financing cash flow*

Receipts due to taking loans and credits	-	-
Repaid loans and credits	(14 355 781)	-
Repaid liabilities under financial lease	(645 359)	(503 291)
Interest	(241 319)	(107 220)
Dividend paid	-	-
<b>Net financing cash</b>	<b>(15 242 459)</b>	<b>(610 512)</b>

<b>Net change in cash and cash equivalents</b>	<b>20 485 657</b>	<b>(14 975 608)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>25 090 714</b>	<b>99 044 764</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>45 576 371</b>	<b>84 069 157</b>

<i>Quarterly abbreviated consolidated financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.12.2006	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**SEPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 1 JANUARY TO 31 MARCH 2007**

	Share capital	Supplementary capital	Retained earnings	Total
<b>Balance as at 1 January 2006</b>	<b>127 742 000</b>	<b>14 782 302</b>	<b>33 225 132</b>	<b>175 749 434</b>
Changes in the principles (policy) of accounting	-	-	-	-
<b>Balance upon changes</b>	<b>127 742 000</b>	<b>14 782 302</b>	<b>33 225 132</b>	<b>175 749 434</b>

*Changes in equity in the period from 1 January to 31 March 2006*

Net profit for the period from 1 January to 31 March 2006	-	-	(1 853 624)	<b>(1 853 624)</b>
<b>Total profit and loss recorded in the period from 1 January to 31 March 2006</b>	-	-	<b>(1 853 624)</b>	<b>(1 853 624)</b>
Issued options convertible into shares	-	391 912	-	<b>391 912</b>
<b>Balance as at 31 March 2006</b>	<b>127 742 000</b>	<b>15 174 214</b>	<b>31 371 508</b>	<b>174 287 721</b>

<b>Balance as at 01 January 2007</b>	<b>127 742 000</b>	<b>29 059 203</b>	<b>36 538 217</b>	<b>193 339 419</b>
Changes in the principles (policy) of accounting	-	-	-	-
<b>Balance after changes</b>	<b>127 742 000</b>	<b>29 059 203</b>	<b>36 538 217</b>	<b>193 339 419</b>

*Changes in equity in the period from 1 January to 31 March 2007*

Net profit for the period from 1 January to 31 March 2007	-	-	1 971 371	<b>1 971 371</b>
<b>Total profit and loss recorded in the period from 1 January to 31 March 2007</b>	-	-	<b>1 971 371</b>	<b>1 971 371</b>
Issued options convertible into shares	-	970 703	-	<b>970 703</b>
<b>Balance as at 31 March 2007</b>	<b>127 742 000</b>	<b>30 029 906</b>	<b>38 509 588</b>	<b>196 281 493</b>



<i>Quarterly abbreviated consolidated financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.12.2006	Reporting currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## SUPPLEMENTARY INFORMATION TO THE ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 01.01.2007 TO 31.03.2007

### 1. GENERAL INFORMATION

#### 1.1. DISCLOSURE OF THE ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the information given in the current report on 31<sup>st</sup> January 2007 to the Polish Securities and Exchange Commission, Eurocash S.A. discloses the consolidated quarterly report with the quarterly abbreviated consolidated financial statements on 15<sup>th</sup> May 2007.

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

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

The consolidated financial statements were prepared in accordance with the IAS no 34 - Interim Financial Reporting.

Reporting currency of the consolidated financial statements is Polish zloty and all figures are rounded off to full zloty (unless indicated otherwise).

#### 1.3. COMPARISON OF FINANCIAL STATEMENTS

The accounting standards and calculation methods applied while preparing the abbreviated consolidated financial statements have not been changed in comparison to those applied in the last annual financial statements.

On March 31<sup>st</sup> 2006, the capital group has been established. Data for comparable periods contained in the financial statements, was not restated in relation to the previously disclosed financial data.

#### 1.4. INFORMATION ON THE PARENT ENTITY AND THE CAPITAL GROUP

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

The parent entity is Eurocash Spółka Akcyjna, registered in the District Court of Poznań, XXI Commercial Division of the National Court Register, entry no KRS 0000213765, 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.

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Financial statements period:	<i>01.01-31.12.2006</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

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

<i>Quarterly abbreviated consolidated financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>01.01-31.12.2006</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

**Entities comprising the Eurocash capital group covered by the consolidated financial statements as of 31.03.2007**

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

<i>Quarterly abbreviated consolidated financial statements of EUROCASH S.A.</i>			
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## 1.5. ACTIVITY CONTINUATION

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

## 2. APPLIED ACCOUNTING RULES

### 2.1. ACCOUNTING RULES

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

### 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. MAINTAINANCE OF ACCOUNTING BOOKS

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

### 2.4. FORMAT AND CONTENTS OF THE ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

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

The abbreviated consolidated statements include in particular:

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

### 2.5. INTANGIBLE ASSETS

#### Definition

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

The Company's intangible assets include:

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

#### Initial value of intangible assets

<i>Quarterly abbreviated consolidated financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.12.2006	Reporting currency:	Polish zloty (PLN)
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The initial value of intangible assets is the acquisition cost, which includes the amount due to the seller and other costs directly related to the acquisition of the intangible assets.

#### **Amortisation**

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

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

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

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

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

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

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

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

#### **Valuation of intangible assets as at the balance–sheet date**

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

## **2.6. TANGIBLE FIXED ASSETS**

#### **Definition**

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

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

The Company's tangible fixed assets include:

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

#### **Initial value of tangible fixed assets**

The initial value of tangible fixed assets is equal to the acquisition cost, which is the acquisition price of a tangible fixed asset including the amount payable to the seller (without the deductible value added and excise taxes).

As for imports, the acquisition cost also includes public - law charges.

Acquisition cost also includes costs incurred directly in connection with acquisition of a tangible fixed asset and its adjustment in order to make it useful, or introduction into trading, including transportation, loading, unloading and storage costs as well as costs of introducing tangible fixed assets into trading, and reduced by rebates, discounts and other similar reductions and recoveries.

Should it be impossible to determine the acquisition cost of a certain tangible fixed asset, in particular of a tangible fixed asset accepted free of charge, including as a donation, acquisition cost shall be established at the selling price of the same or similar item, i.e. fair value.

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

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

#### **Amortisation**

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

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

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

Tangible fixed assets are amortised using the straight-line method starting from the month following the month when the asset is placed in service. Amortisation is calculated on a monthly basis.

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

Profits or losses resulting from sale, disposal or discontinuance of use of tangible fixed assets are assessed as the difference between sales revenues and the net value of tangible fixed assets and are included in the profit and loss statement.

#### **Review of amortization rates, permanent impairment of value write-offs**

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

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

Revaluation write-offs should be made and charged to other operating expenses not later than at the balance-sheet date (i.e. in the year when the permanent impairment of value occurred).

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

#### **Valuation of tangible fixed assets as at the balance-sheet date**

Tangible fixed assets are recognized in the accounting books in accordance with the acquisition cost or the production cost less accumulated amortisation and accumulated revaluation write-offs on permanent impairment of value.

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

#### **Stocktaking of fixed assets**

Stocktaking of fixed assets is conducted every four years.

### **2.7. EXTERNAL FINANCING COSTS**

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

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

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

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## 2.8. LEASING

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

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

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

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

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

## 2.9. INVESTMENT REAL ESTATE

Real estate is considered an investment real estate if it is recognized as the source of rent income and/or is owned with respect to an expected increase in its value.

Investment real estate is valued in accordance with the acquisition cost or production cost after including the transaction costs. Investment real estate is valued as at the balance – sheet date in accordance with the acquisition cost or the production cost less the up-to-date depreciation and accumulated impairment of value revaluation write-offs.

## 2.10. LONG-TERM ACCOUNTS RECEIVABLES

### Definition

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

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

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

### Valuation of long-term accounts receivable

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

## 2.11. LONG-TERM PREPAYMENTS AND ACCRUED INCOME

### Deferred income tax assets

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



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

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

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

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

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

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

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

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

#### **Other long-term prepayments and accrued income**

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

At every balance-sheet date an analysis of long-term prepayments and accrued income is conducted. The portion of prepayments and accrued income which is realized within 12 months from the balance-sheet date should be disclosed as short-term prepayments and accrued income.

The above analysis is made by the Company in respect of reasonable judgment and its knowledge of the particular elements of the prepayments and accrued income.

#### **2.12. FIXED ASSETS AND GROUPS OF NET FIXED ASSETS INTENDED FOR DISPOSAL**

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

Fixed assets (or a group for disposal) are classified as intended for sale if their balance-sheet value is recovered due to a sale transaction rather than due to their further use.

Such situation occurs if the following conditions are fulfilled:

- assets element (or a group intended for sale) is available for an immediate sale at its current state, considering only ordinary and commonly accepted conditions of selling assets (or a group intended for sale) of such type and its sale is highly likely;

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

## 2.13. INVENTORIES

### Definition

The Company's inventories include:

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

### Rules for establishing acquisition price

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

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

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

While defining, the purchase costs are reduced by rebates, discounts and other similar items.

### Valuation of inventories as at the balance-sheet date

During the year, inventories are evidenced in the accounting books at the most recent acquisition price of the relevant inventories item. Inventories are valued at the balance-sheet date at the most recent acquisition price adjusted by relevant revaluation write-offs.

Valuation at the most recent acquisition prices taking into account the specifics of trading conducted by the Company and in particular fast rotation of stock, means that this is not very different from the FIFO valuation.

The Company recognizes the following circumstances in which revaluation write-offs on inventories are necessary:

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

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

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

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

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

### **Stocktaking**

Inventories kept by the Company are subject to stocktaking in accordance with the stocktaking timetable. Stocktaking is considered to be continuous as each localization is, at least twice a year, subject to a planned stocktaking. Additionally, there are explanatory, controlling, acceptance and random stocktakings carried out.

Discrepancies between the actual balance of inventories and the balance disclosed in the books, revealed during the stocktaking, are analyzed, explained and settled in the accounting books for the year in which the stocktaking was carried out. Stocktaking results are disclosed in the accounting books on a monthly basis.

## **2.14. FINANCIAL INSTRUMENTS**

### **Definition**

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

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

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

Revaluation differences and the income generated or losses incurred, in line with the classification of a particular financial instrument, affect the financial result (liabilities) or the revaluation capital (equity instruments).

As of the day of acquisition, the Company recognizes financial assets and liabilities at cost (price) of the acquisition, i.e. the fair value paid for the assets or in the case of liabilities – the amount received. The Company includes the costs of transaction in the initial value of valuation of all the financial assets and liabilities in accordance with fair value through profit and loss account.

### **Valuation of financial instruments as at the balance-sheet date**

The Company values:

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

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

## 2.15. TRADE AND OTHER SHORT-TERM RECEIVABLES

### Trade receivables

Trade receivables include accounts receivable resulting from deliveries or services provided, which are due up to 12 months and exceeding 12 months.

This item does not include prepaid deliveries payable to suppliers, which are included in the inventories item, as well as any prepayments for intangible assets and tangible fixed assets under construction, which increase the fixed assets.

### Other short-term receivables

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

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

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

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

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

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

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

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

### Receivables revaluation write-offs

Receivables revaluation write-offs are made for:

- accounts receivable from debtors declared bankrupt or liquidated – up to the amount of receivables, which is not covered by a guarantee or other security,
- accounts receivable from debtors in the event a petition in bankruptcy was dismissed due to the fact that such debtor's assets are insufficient to cover the costs of bankruptcy proceedings – up to the full amount of the receivables,
- accounts receivable questioned by the debtors – up to unsecured amount,

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- accounts receivable past due or not yet past due, but highly likely to become past due – in the amount reliably estimated by the Company (based on past experience, reliable analysis, forecasts, etc),
- accounts receivable under court proceeding – 100% of the due amount of the receivables,
- accounts receivable past due exceeding 180 days – 100% of the due amount of the receivables.

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

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

#### **Verification of the receivables**

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

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

### **2.16. INVESTMENTS IN SECURITIES**

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

### **2.17. SHORT-TERM PREPAYMENTS AND ACCRUED INCOME**

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

At every balance-sheet date an analysis of short-term prepayments and accrued income is conducted. The portion of prepayments and accrued income which is realized within 12 months from the balance-sheet date should be disclosed as short-term prepayments and accrued income.

The assessment is made by the Company in respect of reasonable judgment and its knowledge of the particular elements of the statements.

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

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

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## 2.18. LONG-TERM LIABILITIES

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

Long-term liabilities comprise mainly:

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

### **Valuation of long – term liabilities**

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

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

### **Valuation of liabilities denominated in foreign currencies as at the balance-sheet date**

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.

Currency-translation differences related to long-term liabilities denominated in foreign currencies, arising as at the valuation date, are disclosed under financial income or expenses respectively.

## 2.19. SHORT – TERM LIABILITIES

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

Short – term liabilities comprise mainly:

- liabilities under contracted loans and borrowings,
- financial liabilities under finance lease agreements,
- trade liabilities,
- liabilities under taxes, custom duties, social security and other benefits,
- salaries and wages liabilities.

### **Valuation of short – term liabilities**

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

Other short-term liabilities are disclosed as due amounts, which also include unpaid interest and unpaid interest provision. Interest is recorded at the time of receipt of interest notes.

### **Valuation of liabilities denominated in foreign currencies as at the balance-sheet date**

at the balance sheet day at the immediately exchange rate.

Currency-translation differences related to long-term liabilities denominated in foreign currencies, arising as at the valuation date, are disclosed under financial income or expenses respectively.

## 2.20. BANK LOANS

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

## **2.21. CAPITAL INSTRUMENTS**

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

## **2.22. PROVISIONS**

The provisions are made in cases where the Group is obliged (either legally or customary) due to past events and where it is likely that fulfillment of such obligation will result in an outflow of funds and where a reliable estimation of the amount of such a liability is possible. The use of provisions may take place according to the time elapsed or the amount of payments. The time and method of settlement shall depend on the type of costs, subject to conservative valuation.

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

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

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

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

## **2.23. SALES REVENUES**

Sales revenues are recognized – pursuant to International Accounting Standard no 18 “Revenues” – at the fair value of payments received or due and represent trade receivables delivered in the course of ordinary business activity less rebates, VAT tax and other taxes related to the sale (excise tax).

### **Sale of goods**

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

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

### **Provision of services**

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

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transaction may be evaluated in a reliable manner, provided that all of the following conditions are met:

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

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

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

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

#### **2.24. EMPLOYEE BENEFITS**

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

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

#### **2.25. TAXES**

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

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

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

The deferred tax provision is created from all taxable positive timing differences, however deferred tax asset is recognized to the amount in which it is likely that it will decrease future tax gains by recognized negative timing differences. The tax assets or liabilities do not arise in the event that the timing differences arise from the goodwill of the Company or initial



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recognition of assets or liabilities in the transaction that affects neither accounting nor taxable profit.

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

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

## **2.26. BUSINESS COMBINATIONS AND THE BASIS OF CONSOLIDATION**

### **Subsidiaries**

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

### **Accounting method**

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

### **Costs of business combination**

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

### **The date of an acquisition**

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

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

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

### **Selected consolidation procedures**

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

Transactions, settlements, revenues, costs, and unrealized profits included in the assets resulting from the transactions conducted among the companies within the Group are

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eliminated. Unrealized losses are also subject to elimination, unless a transaction proves the impairment of value of the given asset.

#### **Allocation of the business combination costs**

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

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

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

#### **Goodwill**

As at the acquisition date, the acquirer:

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

and

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

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

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

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

and

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

## **2.27. OPERATIONS SEGMENTS – BUSINESS AND GEOGRAPHICAL**

Pursuant to IAS no 14, Segment reporting, the Company is obligated to present results of its operations by operations segments.

In accordance with the provisions of the IAS, such a presentation help the user of financial statements to:

- better understand the results achieved by the entity,

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

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

IRS no 14 presents the following definitions:

#### **Business segment**

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

#### **Geographical segment**

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

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

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

- traditional wholesale – wholesale operations conducted by the Cash & Carry discount chain, including the entire operations of the dominant entity - Eurocash S.A.
- active distribution – wholesale operations in the area of specialist active distribution of the FMCG goods, including the entire operations of the subsidiary - KDWT S.A.
- others – real estate business running by Eurocash Detal sp. z o. o. and commercial business (franchising) running by Eurocash Franszyza sp. z o. o.

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

Pursuant to IAS 34, the Company is obligated to present its proceeds and results by business segments or geographical segments in the mid-year abbreviated financial statements, dependent on which of the segment reporting manner is the main way applied by the entity.

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**NOTES TO ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2007 TO 31.03.2007**

**NOTE NO 1  
SEGMENT REPORTING**

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

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

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

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Table no 1

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

	Traditional wholesale	Active distribution	Other	Exclusions	Total
<b>Sales</b>	<b>540 645 697</b>	<b>491 222 577</b>	-	<b>(37 818 762)</b>	<b>994 049 511</b>
External sales	530 080 510	463 969 001	-	-	994 049 511
Inter-segmental sales	10 565 187	27 253 575	-	(37 818 762)	-
<b>Segment result</b>	<b>4 152 164</b>	<b>3 167 377</b>	<b>789 749</b>	<b>37 146</b>	<b>8 146 436</b>
Not allocated costs	-	-	-	-	-
Net loss on discontinued operations	-	-	-	-	-
<b>Operating profit</b>	<b>4 152 164</b>	<b>3 167 377</b>	<b>789 749</b>	<b>37 146</b>	<b>8 146 436</b>
Finance income	-	-	512 535	-	512 535
Finance costs	-	-	(2 740 520)	-	(2 740 520)
Share of profit on investments in associates	-	-	-	-	-
<b>Profit before income tax</b>	-	-	<b>(1 438 237)</b>	<b>37 146</b>	<b>5 918 451</b>
Income tax	-	-	(1 461 655)	(1 310)	(1 462 965)
Minority interest	-	-	-	-	-
<b>Net profit</b>	-	-	<b>(2 899 891)</b>	<b>35 836</b>	<b>4 455 486</b>
<b>Total assets</b>	<b>566 263 724</b>	<b>171 463 977</b>	<b>22 795 256</b>	<b>(68 363 373)</b>	<b>692 159 585</b>
<b>Total liabilities</b>	<b>566 263 724</b>	<b>171 463 977</b>	<b>22 795 256</b>	<b>(68 363 373)</b>	<b>692 159 585</b>
	-	-			
<b>Investment expenditures</b>	<b>(11 958 075)</b>	<b>323 384</b>	<b>54 057</b>	<b>(16 154 387)</b>	<b>(27 735 021)</b>
Depreciation and amortisation	7 348 303	748 704	275 536	(17 564)	8 354 979

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**NOTE NO 2  
RELATED PARTY TRANSACTIONS**

In the first quarter of 2007, KDWT S.A. paid a loan to its parent company Eurocash S.A. in the amount of PLN 15,950 thousand.

The entire amount of the loan was granted for the purposes of financing of current operations of KDWT S.A. An agreement met market standards, and its impact on the presented results of the Company is not material due to the fact that it concerns a very short period of time.

In 2006 no material related party transactions took place other than the loan specified above, and the ones resulting from the ordinary course of business conducted on market conditions.

**NOTE NO 3  
IMPORTANT EVENTS AFTER THE BALANCE-SHEET DATE**

There were any important events after the balance sheet day.

**SIGNATURES OF THE MANAGEMENT BOARD MEMBERS**

Position	Name and surname	Date	Signature
Management Board Member Chief Executive Officer	Rui Amaral	15 <sup>th</sup> May 2007	
Management Board Member Financial Executive Officer	Arnaldo Guerreiro	15 <sup>th</sup> May 2007	