EUROCASH S.A.

CONSOLIDATED SEMI-ANNUAL REPORT 2006

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

KOMORNIKI, 25th October 2006

EUROCASH S.A.

SEMI-ANNUAL
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1ST JANUARY 2006 TO 30TH JUNE 2006

KOMORNIKI, 25th October 2006

CONTENTS

GENERAL INFORMATION

1. INFORMATION ON THE COMPANY

1.1. DOMINANT COMPANY NAME

EUROCASH Spółka Akcyjna

1.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

1.3. CORE BUSINESS

Other wholesale (PKD 5190 Z)

1.4. REGISTRY COURT

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

1.5. DURATION OF THE CAPITAL GROUP

Indefinite

1.6. PERIOD COVERED BY THE ABBREVIATED FINANCIAL STATEMENTS

The reporting period 1st January 2006 - 30th June 2006 and comparable periods: 1st January 2005 – 30th June 2005

2. COMPANY'S GOVERNING BODIES

2.1. MANAGEMENT BOARD OF DOMINANT UNIT

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

2.2. MANAGEMENT BOARD OF SUBSIDIARY

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

2.3. SUPERVISORY BOARD

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

2.4. SUPERVISORY BOARD OF SUBSIDIARY

Małgorzata Pietkiewicz - Supervisory Board Member,
Monika Pietkiewicz - Supervisory Board Member,

Wojciech Budziński - Supervisory Board Member,
Paweł Kuśnierczak - Supervisory Board Member.

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

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

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

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

SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED FIGURES AS AT 30 JUNE 2006

	for the period from 01.01.2006 to 30.06.2006 PLN	for the period from 01.01.2005 to 30.06.2005 PLN	for the period from 01.01.2006 to 30.06.2006 EUR	for the period from 01.01.2005 to 30.06.2005 EUR
Net salesNet sales	1 258 976 120	802 395 571	322 797 836	196 641 483
Operating profit (loss)	16 870 967	17 112 590	4 325 667	4 193 748
Profit (loss) before tax	16 433 604	15 634 475	4 213 528	3 831 510
Net Profit (loss) on continued operations	12 744 886	12 226 422	3 267 752	2 996 305
Net profit (loss)	12 744 886	12 226 422	3 267 752	2 996 305
Net operating cash flow	24 161 303	54 091 286	6 194 888	13 256 044
Net investment cash flow	(40 199 304)	(18 843 836)	(10 306 985)	(4 618 021)
Net financial cash flow	(12 282 874)	(769 074)	(3 149 293)	(188 475)
Net change in cash and cash equivalents	(28 320 875)	34 478 376	(7 261 391)	8 449 547
Weighted average number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Weighted average diluted number of shares	134 544 100	134 129 100	134 544 100	134 129 100
EPS (in PLN / EUR)	0,10	0,10	0,03	0,02
Diluted EPS (in PLN / EUR)	0,09	0,09	0,02	0,02
Average PLN / EUR rate*			3,9002	4,0805

	na dzień 30.06.2006 PLN	na dzień 30.06.2005 PLN	na dzień 30.06.2006 EUR	na dzień 30.06.2005 EUR
Assets	576 549 386	441 941 757	142 590 242	109 388 816
Long-term liabilities	13 556 397	4 670 131	3 352 722	1 155 944
Short-term liabilities	394 153 565	261 522 192	97 480 725	64 731 614
Equity	168 839 423	175 749 434	41 756 795	43 501 258
Share capital	127 742 000	127 742 000	31 592 719	31 618 524
Number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Diluted number of shares	134 544 100	134 129 100	134 544 100	134 129 100
Book value per share (in PLN / EUR)	1,32	1,38	0,33	0,34
Diluted book value per share (in PLN / EUR)	1,25	1,31	0,31	0,32
Declared or paid dividend (in PLN / EUR)	-	-	-	-
Declared or paid dividend per share (in PLN / EUR)	-	-	-	-
PLN / EUR rate at the end of the period**			4,0434	4,0401

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

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

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

ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006 (functional classification)

	Note	semi year for the period from 01.01.2006 to 30.06.2006	semi year for the period from 01.01.2005 to 30.06.2005
Continued operations			
Net sales	28	**1 258 976 120**	**802 395 571**
Net sales of traded goods		1 232 172 622	781 721 825
Net sales of services		26 803 498	20 673 745
Net sales of materials		-	-
Prime costs of sales		**(1 135 714 396)**	**(695 403 446)**
Costs of sold traded goods		(1 135 714 396)	(695 403 446)
Costs of sold services		-	-
Costs of sold materials		-	-
Gross profit (loss) on sales		**123 261 725**	**106 992 124**
Costs of sales	29	(71 207 542)	(59 631 139)
Costs of general management	29	(33 347 828)	(27 548 079)
Profit (loss) on sales		**18 706 355**	**19 812 906**
Other operating revenues	30	3 161 180	1 239 841
Other operating costs	30	(4 996 568)	(3 940 157)
Share in profits of companies consolidated with the equity method		-	-
Costs of restructuring		-	-
Operating profit (loss)		**16 870 967**	**17 112 590**
Financial revenues	31	951 289	930 523
Financial costs	31	(1 388 652)	(2 408 639)
Other profit (loss) on investments		-	-
Profit (loss) before tax		**16 433 604**	**15 634 475**
Income tax	25	(3 688 718)	(3 408 053)
Net profit (loss) on continued operations		**12 744 886**	**12 226 422**
Discontinued operations			
Net loss on discontinued operations		-	-
Net profit (loss)		**12 744 886**	**12 226 422**

NET EARNINGS PER SHARE

		PLN / akcję	PLN / akcję
Net profit (loss) on continued operations		12 744 886	12 226 422
Net profit (loss) on continued and discontinued operations		12 744 886	12 226 422
Weighted average number of shares		127 742 000	127 742 000
Weighted average diluted number of shares		134 544 100	134 129 100
from continued operations			
- basic	33	0,10	0,10
- diluted	33	0,09	0,09
from continued and discontinued operations			
- basic	33	0,10	0,10
- diluted	33	0,09	0,09

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

CONSOLIDATED BALANCE SHEET ON 30.06.2006 YEAR

	Note	as at 30.06.2006	as at 31.12.2005
Assets			
Fixed assets (long-term)		**216 248 409**	**180 607 408**
Intangible fixed assets	4	122 477 503	110 819 059
Good wiil	1	19 836 473	-
Tangible fixed assets	5	71 813 687	67 732 878
Investment real property		115 409	-
Investments in associated companies consolidated with the equity method	6	100 000	-
Long-term financial assets available for sale		-	-
Other long-term financial assets		-	-
Other long-term financial assets	11	1 507 359	555 759
Long-term prepayments		397 978	1 499 712
Deferred income tax assets		-	1 103 455
Other long-term prepayments	27	397 978	396 256
Current assets (short-term)		**360 300 977**	**261 334 348**
Stocks	12	179 939 911	120 260 552
Trade receivables	14	98 724 208	36 889 803
Current income tax receivables		-	-
Other short-term receivables	14	7 596 098	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		70 723 889	99 044 764
Short-term prepayments	15	3 316 871	2 432 762
Fixed assets classified as held for sale		-	-
Total assets		**576 549 386**	**441 941 757**

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

BALANCE SHEET AS AT 30 JUNE 2006 (continued)

	Note	as at 30.06.2006	as at 31.12.2005
Liabilities			
Equity		**168 839 423**	**175 749 434**
Share capital	16	127 742 000	127 742 000
Supplementary capital	17	27 693 554	14 782 302
Retained earnings		13 403 869	33 225 132
Profit (loss) of prior years		658 983	658 983
Net profit (loss) of the current year		12 744 886	32 566 149
Liabilities		**407 709 963**	**266 192 323**
Long-term liabilities		**13 556 397**	**4 670 131**
Long-term loans and credits		-	-
Other long-term financial liabilities	23	3 653 715	4 313 378
Other long-term liabilities		7 499 997	-
Other long-term liabilities	26	1 906 583	-
Provision for employee benefits		496 102	356 753
Other long-term provisions		-	-
Short-term liabilities		**394 153 565**	261 522 192
Short-term loans and credits	21	54 804 550	-
Other short-term financial liabilities	23	1 668 008	1 743 252
Trade liabilities	20	302 520 690	236 854 087
Current income tax liabilities	25	929 458	4 188 247
Other short-term liabilities	20	24 276 026	8 141 837
Short-term provisions	19	9 954 834	10 594 769
Liabilities due to fixed assets held for sale		-	-
Total liabilities		**576 549 386**	**441 941 757**

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

CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006 (indirect method)

	for the period from 01.01.2006 to 30.06.2006	for the period from 01.01.2005 to 30.06.2005
Operating cash flow		
Net profit before tax	**16 433 604**	**15 634 475**
Adjustments:	**16 024 097**	**14 062 544**
Depreciation	14 185 110	12 261 026
(Profit) loss on sold tangible fixed assets	1 010 099	228 911
Costs of interest	828 889	1 572 608
Operating cash before changes in working capital	**32 457 700**	**29 697 020**
Changes in stocks	(18 366 444)	(3 226 981)
Changes in receivables	(12 482 557)	2 947 250
Changes in liabilities	29 330 964	27 123 246
Changes in provisions and accruals	2 790 476	130 249
Other adjustments	(952 075)	1 001 374
Operating cash	**32 778 064**	**57 672 158**
Interest paid	(1 568 815)	(1 203 552)
Income tax paid	(7 047 947)	(2 377 320)
Net operating cash	**24 161 303**	**54 091 286**
Investment cash flow		
Expenditures for purchased intangible fixed assets	(205 022)	(11 405 162)
Receipts from sold intangible fixed assets	-	-
Expenditures for purchased tangible fixed assets	(6 688 742)	(7 444 574)
Receipts from sold tangible fixed assets	1 602 748	5 900
Expenditures for purchased subsidaries (less for cash taken)	(34 908 290)	-
Interest received	-	-
Net investment cash	**(40 199 304)**	**(18 843 836)**
Financing cash flow		
Receipts due to taking loans and credits	9 925 995	-
Payment for financial lease	(951 499)	(619 451)
Interest	(818 650)	(149 623)
Paid divdends	(20 438 720)	-
Net financing cash	**(12 282 874)**	**(769 074)**
Net change in cash and cash equivalents	**(28 320 875)**	**34 478 376**
Cash and cash equivalents at the beginning of the period	99 044 764	33 914 908
Change due to exchange gains (loss)	-	-
Cash and cash equivalents at the end of the period	**70 723 889**	**68 393 284**

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

STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006

	Share capital	Supplementary capital	Retained earnings	**Total**
Balance as at 1 January 2005	**127 742 000**	**579**	**14 262 994**	**142 005 573**
Changes in the principles (policy) of accounting	-	-	658 983	658 983
Balance upon changes	**127 742 000**	**579**	**14 921 977**	**142 664 556**
Changes in equity in the period from 1 January to 30 June 2005				
Net profit for the period from 1 January to 30 June 2005	-	14 262 994	(2 036 572)	**12 226 422**
Total profit and loss recorded in the period from 1 January to 30 June 2005	**-**	**14 262 994**	**(2 036 572)**	**12 226 422**
Dividends	-	-	-	**-**
Issued options convertible into shares	-	259 365	-	**259 365**
Balance as at 30 June 2005	**127 742 000**	**14 522 937**	**12 885 406**	**155 150 343**

STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006 (continued)

	Share capital	Supplementary capital	Retained earnings	Total
Changes in equity in the period from 1 January to 30 June 2006				
Balance as at 1 January 2006	**127 742 000**	**14 782 302**	**33 225 132**	**175 749 434**
Changes in the principles (policy) of accounting	-	-	-	**-**
Balance upon changes	**127 742 000**	**14 782 302**	**33 225 132**	**175 749 434**
Net profit for the period from 1 January to 30 June 2006	-	12 127 429	617 457	**12 744 886**
Total profit and loss recorded in the period from 1 January to 30 June 2006	-	**12 127 429**	**617 457**	**12 744 886**
Dividends	-	-	(20 438 720)	**(20 438 720)**
Issued options convertible into shares	-	783 823	-	**783 823**
Balance as at 30 June 2006	**127 742 000**	**27 693 554**	**13 403 869**	**168 839 423**

SUPPLEMENTARY INFORMATION TO THE ABBREVIATED consolidated FINANCIAL STATEMENTS FOR THE PERIOD FROM 01.01.2006 TO 30.06.2006

1. GENERAL INFORMATION

1.1. DISCLOSURE OF THE ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the information given in the current report on 26th April 2006 to the Polish Securities and Exchange Commission, Eurocash S.A. discloses the consolidated quarterly report with the quarterly abbreviated consolidated financial statements on 31st October 2006. 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

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

1.4. INFORMATION ON THE PARENT ENTITY ANDTHE CAPITAL GROUP

The Eurocash Capital Group consists of Eurocash S.A. and its subsidiary company KDWT S.A.

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

The subsidiary entity is 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.

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.

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

Entities comprising the Eurocash capital group covered by the consolidated financial statements as of 30.06.2006

1. name of entity	Eurocash S.A.	KDWT S.A.
2. seat	Wiśniowa 11, 62-052 Komorniki	Wiśniowa 11, 62-052 Komorniki
3. core business	PKD 5190Z	PKD 5135Z
4. 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
5. entity status	Parent entity	Subsidiary entity
6. applied consolidation method	Full	Full
7. date of taking over control	n/a	31.03.2006
8. Share in share capital (%)	n/a	100%
9. Share in total number of votes (%)	n/a	100%

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

1.5. ACTIVITY CONTINUATION

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

2. APPLIED ACCOUNTING RULES

2.1. ACCOUNTING RULES

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

2.2. FINANCIAL YEAR AND REPORTING PERIOD

The financial year of 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 Companies office located at Wiśniowa 11 in Komorniki, near Poznań.

2.4. FORMAT AND CONTENTS OF THE ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

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

The abbreviated consolidated statements include in particular:

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

2.5. INTANGIBLE ASSETS

Definition

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

The Group's intangible assets include:

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

Initial value of intangible assets

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

Amortisation

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

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

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

- other intangible assets 20%

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

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

Not later than at the end of each financial year the intangible assets are also subject to a review with respect to the permanent impairment of value and the need to make relevant revaluation write-offs. These write-offs should be charged to other operating expenses not later than at the balance-sheet date, i.e. in the year when the permanent impairment of value was assessed.
In accordance with the requirements specified in IAS no 36 regarding the assessment test whether there has not appeared an impairment of value of the intangible assets with indefinite time of usage, the Group holds the impairment value test comparing balance-sheet value of a certain item with its recoverable value, regardless whether there is any basis for such value impairment to occur.

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

2.6. TANGIBLE FIXED ASSETS

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

The Group’s tangible fixed assets include:

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

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

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

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

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

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

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

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

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

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

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

Not later than at the end of each financial year tangible fixed assets (tangible fixed assets, tangible fixed assets under construction) are also subject to a review with respect to the permanent impairment of value and the possible need to make relevant revaluation write-offs. The element indicating it is necessary to make a relevant write-off is accepting the fact

that it is very likely that a tangible fixed asset will not generate a significant part of the expected economic benefits in the future or that it will not generate any economic benefits at all. Permanent impairment of value occurs, for example, in the event of a disposal or a withdrawal of a certain asset from use.
Revaluation write-offs should be made and charged to other operating expenses not later than at the balance-sheet date (i.e. in the year when the permanent impairment of value occurred).

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

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

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

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

2.7. EXTERNAL FINANCING COSTS

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

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

2.8. LEASING

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

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

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

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

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

2.9. INVESTMENT REAL ESTATE

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

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

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

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

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

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

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

The differed part recognized in the „Income tax" item disclosed in the profit and loss account is the difference between the amount of the differed tax liabilities and assets as at the end of the reporting period, and as at the beginning of such a period.
The differed tax assets and provisions related to the operations settled under the own capital (fund), shall also be applied to the own capital (fund).

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

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

2.12. 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;
- 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 Group's inventories include:

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

Rules for establishing acquisition price

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

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

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

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

Valuation of inventories as at the balance-sheet date

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

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

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

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

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

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

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

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

Stocktaking

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

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

2.14. FINANCIAL INSTRUMENTS

Definition

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

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

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

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

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

Valuation of financial instruments as at the balance-sheet date

The Group values:

- in accordance with amortised cost, taking into account effective interest rate: assets or financial liabilities held-to-maturity investments, loans and receivables, as well as other financial assets available for sale,

  In the event of the aforementioned items, they also may be assessed at the amount due, if the discount effects are not material,

- at due and payable amount: short-term receivables and liabilities,
- at fair value: traded financial assets and liabilities and financial assets intended for sale.

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

2.15. 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 Group's clients is disclosed at the moment of receipt of money by the Group.

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

Accounts receivable denominated in foreign currencies are subject to valuation not less than on the balance-sheet date, at the mid exchange rate given by the National Bank of Poland for that date.
The currencies exchange differences resulting from the accounts receivable denominated in foreign currencies, which arise as of the valuation date, are assigned either to financial income or to financial expenses respectively.

Receivables revaluation write-offs

Receivables revaluation write-offs are made for:

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

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

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

Verification of the receivables
Trade receivables as at the balance-sheet date are verified through confirmation of balances as at this date.
The results of the verification of the receivables are taken into account during the revaluation of the accounts receivable as at the balance-sheet date.

2.16. 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 Group in respect of reasonable judgment and its knowledge of the particular elements of the statements.

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

- prepaid rent,
- prepaid electricity and central heating,
- prepaid subscription and insurance,

- prepaid services (for example telecommunication services),
- advance payments for the equipment lease agreements.

2.18. 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
Liabilities denominated in foreign currencies should be valued at least once in a reporting period at the balance-sheet date, at the mid-exchange rate quoted by the National Bank of Poland for a given currency for the valuation date.
Currency-translation differences related to long-term liabilities denominated in foreign currencies, arising as at the valuation date, are disclosed under financial income or expenses respectively.

2.19. 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

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

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

2.20. BANK LOANS

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

2.21. CAPITAL INSTRUMENTS

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

2.22. 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 provisions comprise, inter alia, the following costs:

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

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

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

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

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

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

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

Provision of services

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

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

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

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

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

2.24. EMPLOYEE BENEFITS

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

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

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

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

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

2.26. 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 Group applies the purchase method as the accounting method for the business combinations.

Costs of business combination

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

The date of an acquisition

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

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

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

Selected consolidation procedures

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

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

Allocation of the business combination costs

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

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

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

Goodwill

As at the acquisition date, the acquirer:

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

and

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

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

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

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

and

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

2.27. OPERATIONS SEGMENTS – BUSINESS AND GEOGRAPHICAL

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

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

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

IRS no 14 presents the following definitions:

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

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

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

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

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

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

Pursuant to IAS 34, the Group 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.

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

NOTES TO THE ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2006 TO 30.06.2006

NOTE NO 1
BUSINESS COMBINATION

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

1. General information

Table no 1

GENERAL INFORMATION CONCERNING BUSINESS COMBINATION OF THE UNITS

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

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

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

3. Initial settlement of the business combination

Acquisition of control over KDWT S.A. took place on 31st March 2006. Due to the time constraints, it was not possible to define in a complete manner the final fair values of identifiable assets, liabilities and contingent liabilities until the day of preparation of the abbreviated consolidated financial statements. Therefore, this initial calculation of the business combination shall be considered as temporary, established based on estimated values. The Company plans to include the adjustments to estimated values resulting from the initial settlement not later than by 31st December 2006.

4. The costs of the acquisition

Table no 2

ACQUISTION COST

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

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

Table no 3

NET ASSETS ACQUIRED

	Fair value 31.03.2006	Book value before acquisition 31.03.2006
Fixed assets (long-term)	**26 562 252**	**11 951 642**
Intangible fixed assets	16 349 631	547 170
Goodwill	-	1 191 851
Tangible fixed assets	9 621 179	9 621 179
Investment real property	-	-
Investments in subsidiary companies	-	-
Long-term financial assets available for sale	-	-
Other long-term financial assets	61 885	61 885
Long-term receivables	-	-
Long-term prepayments	529 557	529 557
Deferred income tax assets	529 557	529 557
Other long-term prepayments	-	-
Current assets (short-term)	**106 091 193**	**106 091 193**
Inventories	41 312 915	41 312 915
Trade receivables	53 364 205	53 364 205
Current income tax receivables	-	-
Other short-term receivables	1 828 874	1 828 874
Short-term financial assets available for sale	-	-
Short-term financial assets held for trade	-	-
Other short-term financial assets	-	-
Cash and cash equivalents	8 704 730	8 704 730
Short-term prepayments	880 470	880 470
Fixed assets classified as held for sale	-	-
Liabilities	**91 476 906**	**88 474 439**
Long-term liabilities	**3 602 401**	**599 934**
Long-term loans and credits	-	-
Other long-term financial liabilities	-	-
Other long-term liabilities	-	-
Deferred income tax provision	3 218 666	216 198
Provision for employee benefits	63 620	63 620
Other long-term provisions	320 115	320 115
Short-term liabilities	**87 874 505**	**87 874 505**
Short-term loans and credits	44 878 555	44 878 555
Other short-term financial liabilities	-	-
Trade liabilities	40 627 698	40 627 698
Current income tax liabilities	-	-
Other short-term liabilities	2 368 253	2 368 253
Short-term provisions	-	-
Liabilities due to fixed assets held for sale	-	-
Acquired net assets	**41 176 539**	**29 568 396**
Goodwill on acquisition	19 836 473	
Acquisition cost	**61 013 012**	

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

5. Goodwill

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

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

Table no 4

GOODWILL

	for period from 01.01.2006 to 31.03.2006
Book value at the beginning of the period	
Gross value	-
Cumulated loss on impairment of assets	-
	-
Recognized additional goodwill	19 836 473
Latter regonizing of the deffered tax	-
Goodwill removed from balance sheet at sale	-
Recognized impaiment of assets	-
Net curency exchange differences	-
Other changes	-
Book value at the end of period	
Gross value	19 836 473
Cumulated loss on impairment of assets	-
	19 836 473

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

6. Joining the companies at the 30 June of 2006

The joining of companies Eurocash and KDWT was presented in table no. 5.

Table no 5

JOINING THE COMPANIES AT THE 30 JUNE OF 2006

Name of the subsidiary company	Equity	Share capital	Liabilities	Unit's assets	Net sales and financial operations	Profit
KDWT S.A.	31.03.2006	100%	61 013 012	41 176 539	19 836 473	-

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

7. Revenues and financial result of the consolidated business units

Within the period from the acquisition, i.e. 31 March 2006 until 30 June 2006 an amount of 1,838,331 PLN resulting from the profit generated by KDWT S.A. during that period of time is included in the consolidated net profit. Within the period from the day of the acquisition until the balance-sheet date an amount of 391,074,803 PLN of KDWT S.A. sales proceeds was included in the consolidated financial statements.
If the acquisition date in the case of the above-mentioned merger was the beginning of the reporting period, in such an event the proceeds of the merged entity for the particular period would equal 755,425,277 PLN and the financial result would be 2.325.280 PLN.

Table no 6

INVESTMENTS IN SUBSIDIARIES COMPANIES AS AT 30 JUNE 2006

The name of joined subsidiary	Net sales joined subsidiaries for the period*	Net result joined subsidiaries for the period*
KDWT S.A.	755 425 277	2 325 280

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

NOTE NO 2
SEGMENT REPORTING

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

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

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

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

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

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

Table no 7

INCOME AND RESULTS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01.01.2006 TO 30.06.2006

	Traditional wholesale	Active distribution	Other	Exclusions	Total
Sales	**872 266 705**	**426 243 024**	**-**	**-**	**1 258 976 120**
External sales	867 901 318	391 074 803	-	-	1 258 976 120
Inter-segmental sales	4 365 387	35 168 221	-	(39 533 609)	-
Segment result	**16 228 767**	**3 089 440**	**-**	**(611 852)**	**18 706 355**
Not allocated costs	-	-	-	-	-
Net loss on discontinued operations	-	-	-	-	-
Operating profit	**-**	**-**	**-**	**(611 852)**	**16 870 967**
Finance income	-	-	-	-	951 289
Finance costs	-	-	-	-	(1 388 652)
Share of profit on investments in associates	-	-	-	-	-
Profit before income tax	**-**	**-**	**-**	**(611 852)**	**16 433 604**
Income tax	-	-	-	94 851	(3 688 718)
Minority interest	-	-	-	-	
Net profit	**-**	**-**	**-**	**-**	**12 744 886**
Total assets	**-**	**-**	**-**	**(44 963 369)**	**576 549 386**
Total liabilities	**-**	**-**	**-**	**(44 963 369)**	**576 549 386**
	-	-			
Investment expenditures	**-**	**-**	**-**	**-**	**6 893 763**
Depreciation and amortisation	-	-	-	-	14 185 110

NOTE NO 3
RELATED PARTY TRANSACTIONS

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

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

NOTE NO 4.
INTANGIBLE FIXED ASSETS

Information about intangible fixed assets is presented in Table No. 8.

Table no 8

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006

	Patents and licences	Costs of R&D	Other intangible fixed assets	Advances	**Total**
Net carrying value as at 1 JANUARY 2005	**4 511 518**	**-**	**101 271 122**	**2 500 000**	**108 282 640**
Increase due to acquisition	124 865	-	1 343 741	9 840 000	**11 308 606**
Decrease due to sale	-	-	(47 682)	-	**(47 682)**
Increase or decrease due to revaluation	-	-	-	-	**-**
Advances	-	-	-	-	**-**
Impairment loss	-	-	-	-	**-**
Write-off reversal	-	-	-	-	**-**
Amortisation	(1 877 438)	-	(7 059 198)	-	**(8 936 637)**
Exchange gain/loss	-	-	-	-	**-**
Other changes	212 132	-	12 340 000	(12 340 000)	**212 132**
Net carrying value as at 30 JUNE 2005	**2 971 077**	**-**	**107 847 982**	**-**	**110 819 059**
Net carrying value as at 1 JANUARY 2006	**2 971 077**	**-**	**107 847 982**	**-**	**110 819 059**
Acquisition due to merger of enterprises	547 170		15 802 461		**16 349 631**
Increase due to acquisition	131 988	-	-	-	**131 988**
Decrease due to sale	-	-	-	-	**-**
Increase or decrease due to revaluation	-	-	-	-	**-**
Advances	-	-	-	-	**-**
Impairment loss	-	-	-	-	**-**
Write-off reversal	-	-	-	-	**-**
Amortisation	(960 560)	-	(3 905 244)	-	**(4 865 804)**
Exchange gain/loss	-	-	-	-	**-**
Other changes	42 628	-	-	-	**42 628**
Net carrying value as at 30 JUNE 2006	**2 732 303**	**-**	**119 745 200**	**-**	**122 477 503**

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

Table no 8

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006 (continued)

	Patents and licences	Costs of R&D	Other intangible fixed assets	Advances	**Total**
As at 1 January 2006					
Gross carrying value	6 054 515	-	117 098 527	-	123 153 042
Total accumulated amortisation and write-offs	(3 083 438)	-	(9 250 545)	-	(12 333 982)
Net carrying value	**2 971 077**	**-**	**107 847 982**	**-**	**110 819 059**
As at 30 June 2006					
Gross carrying value	6 776 301	-	132 900 988	-	139 677 289
Total accumulated amortisation and write-offs	(4 043 998)	-	(13 155 789)	-	(17 199 787)
Net carrying value	**2 732 303**	**-**	**119 745 200**	**-**	**122 477 503**

The Group made no impairment loss on intangible fixed assets.

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

NOTE NO 5.
TANGIBLE FIXED ASSETS

Information about tangible fixed assets is presented in Table No. 9.

Table no 9

TANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006

	Land, buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Constructions in progress	Total
Net carrying value as at 1 January 2005	**34 758 946**	**14 286 346**	**6 730 415**	**11 914 827**	**820 199**	**68 510 733**
Increase due to acquisition	3 787 687	3 100 634	1 542 340	6 127 355	8 277 924	**22 835 940**
Acquisition due to merger of enterprises	-	-	-	-	-	**-**
Increase due to lease	-	-	3 109 094	-	-	**3 109 094**
Decrease due to sale	(2 613 937)	(283 135)	(618 718)	(1 552 155)	-	**(5 067 944)**
Assets held fro sale	-	-	-	-	-	**-**
Increase or decrease due to revaluation	-	-	-	-	-	**-**
Impairment loss	-	-	-	-	-	**-**
Write-off reversal	-	-	-	-	-	**-**
Depreciation	(3 680 794)	(4 312 716)	(1 756 443)	(4 995 128)	-	**(14 745 081)**
Exchange gain/loss	-	-	-	-	-	**-**
Other changes	-	-	-	-	(6 909 863)	**(6 909 863)**
Net carrying value as at 31 December 2005	**32 251 902**	**12 791 129**	**9 006 689**	**11 494 898**	**2 188 260**	**67 732 878**
Net carrying value as at 1 January 2006	**32 251 902**	**12 791 129**	**9 006 689**	**11 494 898**	**2 188 260**	**67 732 878**
Acquisition due to merger of enterprises	3 214 491	839 751	4 957 219	609 718		**9 621 179**
Increase due to acquisition	4 567 051	1 963 767	546 346	1 066 945	-	**8 144 109**
Increase due to lease	-	-	228 249	-	-	**228 249**
Decrease due to sale	(1 708 812)	(200 000)	(16 469)	(18 297)	-	**(1 943 578)**
Decrease due to liquidation	(1 185 108)	(195 679)	(33 300)	(121 377)	-	**(1 535 464)**
Assets held for sale	-	-	-	-	-	**-**
Increase or decrease due to revaluation	-	-	-	-	-	**-**
Impairment loss	-	-	-	-	-	**-**
Write-off reversal	-	-	-	-	-	**-**
Depreciation	(1 579 793)	(2 525 290)	(1 642 524)	(2 598 087)	-	**(8 345 693)**
Exchange gain/loss	-	-	-	-	-	**-**
Other changes	(825 022)	-	-	-	(1 262 973)	**(2 087 995)**
Net carrying value as at 30 June 2006	**34 734 709**	**12 673 679**	**13 046 211**	**10 433 800**	**925 287**	**71 813 686**

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

Table no 9

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006 (continued)

	Land, buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Constructions in progress	**Total**
As at 1 January 2006						
Gross carrying value	44 671 340	24 632 945	13 388 811	25 390 307	2 188 260	110 271 663
Total accumulated amortisation and write-offs	(12 419 438)	(11 841 816)	(4 382 122)	(13 895 408)	-	(42 538 784)
Net carrying value	**32 251 902**	**12 791 129**	**9 006 689**	**11 494 899**	**2 188 260**	**67 732 878**
As at 30 June 2006						
Gross carrying value	48 733 940	27 040 785	19 070 857	26 927 295	925 287	122 698 164
Total accumulated amortisation and write-offs	(13 999 231)	(14 367 106)	(6 024 646)	(16 493 495)	-	(50 884 477)
Net carrying value	**34 734 709**	**12 673 679**	**13 046 211**	**10 433 801**	**925 287**	**71 813 687**

The Group made no impairment loss on tangible fixed assets.

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

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

The following rationales were assessed:

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

NOTE NO 7.
INVESTMENT REAL ESTATE

The Group has investment real estate as at the balance-sheet date with 115.409 PLN value.

NOTE NO 8.
INVESTMENTS IN SUBSIDIARY COMPANIES

Information about long-term receivables is presented in Table No. 10, 11 and 12.

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

Table no 10

INVESTMENTS IN SUBSIDIARIES COMPANIES AS AT 30 JUNE 2006

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

Table no 11

INVESTMENTS IN SUBSIDIARIES COMPANIES AS AT 30 JUNE 2006

	as at 30.06.2006	as at 31.12.2005
Increase in reporting period:	**100 000**	**-**
joined units	100 000	-
reclass	-	-
other increse	-	-
Decrease in reporting period:	**-**	**-**
sale dependent unit	-	-
reclass	-	-
other decrese	-	-
exchange rates	-	-
Balance upon changes	**100 000,00**	**0,00**

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

Table no 12

INVESTMENTS IN SUBSIDIARIES COMPANIES AS AT 30 JUNE 2006

Name of the subsidiary company	Equity	Share capital	Liabilities	Unit's assets	Net sales and financial operations	Profit
KDWT S.A.	43 184 750	7 380 000	101 870 691	145 055 441	426 243 024	2 008 211
Eurocash Detal sp. z o.o.	50 000	50 000	-	-	-	-
Eurocash Franszyza sp. z o.o.	50 000	50 000	-	-	-	-

In reporting period both Companies Eurocash Detal and Eurocash Franszyza did not do any business. The activity become effective from the date of registration on 10 July 2006 year.

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

NOTE NO 9.
PARTICIPATION IN JOINT VENTURES

The Group participated in no joint ventures.

NOTE NO 10.
FINANCIAL ASSETS

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

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

NOTE NO 11.
LONG-TERM RECEIVABLES

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

Table no 13

LONG-TERM RECEIVABLES AS AT 30 JUNE 2006

	as at 30.06.2006	as at 31.12.2005
Security deposits paid due to agreements on depot rental	1 507 359	555 759
	1 507 359	**555 759**

NOTE NO 12.
INVENTORIES

Information about stocks is presented in Tables No. 14 and 15.

Table no 14

INVENTORIES STRUCTURE AS AT 30 JUNE 2006

	as at 30.06.2006	as at 31.12.2005
Traded goods	174 184 147	113 581 580
Materials	116 985	146 259
Advances for deliveries	5 638 780	6 532 713
Total stocks, including:	**179 939 911**	**120 260 552**
- carrying value of stocks disclosed at fair value less costs of sale	-	-
- carrying value of stocks being a security for liabilities	20 200 000	20 200 000

Table no 15

INVENTORIES IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006

	for the period od 01.01.2006 do 30.06.2006	for the period od 01.01.2005 do 30.06.2005
Value of stocks recorded as a cost in the period	(1 135 714 396)	(695 403 446)
Revaluation write-offs on stocks recorded as a cost in the period	313 411	(283 712)
Revaluation write-off on stocks reversed in the period	181 658	658 805

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

NOTE NO 13.
CONSTRUCTION AGREEMENTS

The Group concluded no construction agreements.

NOTE NO 14.
TRADE RECEIVABLES AND OTHER RECEIVABLES

Information about trade receivables and other receivables is presented in Table No. 16.

Table no 16

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 30 JUNE 2006

	as at 30.06.2006	as at 31.12.2005
Trade receivables	**98 724 208**	**36 889 803**
Credit sales	72 037 308	10 256 752
Additional revenues	28 924 129	26 144 302
ABC marketing fees	796 204	819 700
Other trade receivables	2 952 631	655 277
Allowance for trade bad debts	(5 986 064)	(986 228)
Other receivables	**7 596 098**	**2 706 467**
Receivables due to insurance	1 212 763	1 951 933
Settlement of VAT	1 382 610	232 529
Receivables due to employees	322 901	169 437
Deficiencies and surpluses	294 458	-
Other receivables	4 757 148	627 374
Allowance for other bad debts	(373 781)	(274 806)
Total receivables, including:	**106 320 305**	**39 596 270**
- long-term	-	-
- short-term	106 320 305	39 596 270

NOTE NO 15.
SHORT-TERM PREPAYMENTS

Table no 17

SHORT-TERM PREPAYMENTS AS AT 30 JUNE 2006

	as at 30.06.2006	as at 31.12.2005
Rents	1 194 566	1 553 965
Licences for selling alcohol	369 242	332 129
Insurances	786 478	24 983
Bonuses for customers due to promotional actions	-	12 355
Advertising folders	-	15 614
Other prepayments	966 586	493 715
	3 316 871	**2 432 762**

NOTE NO 16.
EQUITY

Information about equity is presented in Tables No. 18 and 19.

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

Table no 18

SHARE CAPITAL AS AT 30 JUNE 2006

	as at 30.06.2006	as at 31.12.2005
Number of shares	127 742 000	127 742 000
Par value of a share (PLN / share)	1	1
Share capital	**127 742 000**	**127 742 000**

As at 30 June 2006 share capital was comprised of 127,742,000 "A" bearer shares of the par value of PLN 1.00 each.

Table no 19

CHANGES IN SHARE CAPITAL IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006

	for the period od 01.01.2006 do 30.06.2006	for the period od 01.01.2005 do 31.12.2005
Share capital at the beginning of the period	**127 742 000**	**127 742 000**
Increase of share capital in the period	**-**	**-**
Issued share capital - in-kind contribution	-	-
Decrease of share capital in the period	**-**	**-**
Share capital at the end of the period	**127 742 000**	**127 742 000**

NOTE NO 17.
OTHER CAPITAL

Information about other capital is presented in Table No. 20.

Table no 20

CHANGES TO OTHER CAPITAL IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006

	Supplementary capital	Total
As at 1 January 2005	**579**	**579**
Increase in the period from 1 January to 31 December 2005	**14 781 723**	**14 781 723**
Divided financial result from 2004	14 262 994	14 262 994
Valuation of the Incentive Scheme for employees	518 729	518 729
Decrease in the period from 1 January to 31 December 2005	**-**	**-**
As at 31 December 2005	**14 782 302**	**14 782 302**
As at 1 January 2006	**14 782 302**	**14 782 302**
Increase in the period from 1 January to 31 December 2005	**12 911 252**	**12 911 252**
Divided financial result	12 127 429	12 127 429
Valuation of the Incentive Scheme for employees	783 823	783 823
Decrease in the period from 1 January to 31 December 2005	**-**	**-**
As at 30 June 2006	**27 693 554**	**27 693 554**

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

NOTE NO 18.
OPTIONS FOR SHARES

Information about options for own shares is presented in Table No. 21.

Table no 21

OPTIONS FOR SHARES IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006

	Number of options	Weighted average performance prices (PLN/share)
Existing at the beginning of the reporting period	3 193 550	0,60
Allotted in the reporting period	3 193 550	0,87
Redeemed in the reporting period	-	0,00
Exercised in the reporting period	-	0,00
Expired in the reporting period	-	0,00
Existing at the end of the reporting period	6 387 100	0,74
Possible to exercise at the end of the period	-	-

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

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

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

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

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

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

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

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

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

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

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

NOTE NO 19.
PROVISIONS

Information about provisions is presented in Tables No. 22 and 23.

Table no 22

CHANGES IN PROVISIONS IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006

	Provision for unused paid leaves	Provision for bonuses	Provision for agency depot commissions	Provision for employee benefits	Provision for rents
Provisions as at 1 January 2005	**(1 912 469)**	**(3 000 000)**	**(228 335)**	**(356 753)**	**(387 486)**
Increase in provisions	-	-	(426 667)	-	(138 285)
Decrease in provisions	99 816	1 000 000	-	-	-
Provisions as at 31 December 2005	**(1 812 653)**	**(2 000 000)**	**(655 002)**	**(356 753)**	**(525 772)**
Provisions as at 1 January 2006	**(1 812 653)**	**(2 000 000)**	**(655 002)**	**(356 753)**	**(525 772)**
Increase due to joining of subsidary	(219 843)			(63 620)	
Increase in provisions	(353 092)	-	(337 305)	(75 729)	-
Decrease in provisions	-	2	-		224 418
Provisions as at 30 June 2006, including:	**(2 385 587)**	**(1 999 998)**	**(992 307)**	**(496 102)**	**(301 354)**
- short-term	(2 385 587)	(1 999 998)	(992 307)	-	(301 354)
- long-term				(496 102)	

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

Table no 22

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

	Provision for costs of transport	Provision for media	Provision for postal and telecommunication costs	Other provisions	Total
Provisions as at 1 January 2005	**(212 000)**	**(257 879)**	**(258 557)**	**(3 971 780)**	**(10 585 258)**
Increase in provisions	(188 000)	(142 197)	-	(619 711)	**(1 514 860)**
Decrease in provisions	-	-	48 680	100	**1 148 596**
Provisions as at 31 December 2005	**(400 000)**	**(400 075)**	**(209 876)**	**(4 591 391)**	**(10 951 522)**
Provisions as at 1 January 2006	**(400 000)**	**(400 075)**	**(209 876)**	**(4 591 391)**	**(10 951 522)**
Increase due to joining of subsidary				(100 273)	**(383 736)**
Increase in provisions	(267 760)	-	(42 375)	(319 310)	**(1 395 570)**
Decrease in provisions	-	79 959	-	1 975 513	**2 279 892**
Provisions as at 30 June 2006, including:	**(667 760)**	**(320 116)**	**(252 251)**	**(3 035 460)**	**(10 450 936)**
- short-term	(667 760)	(320 116)	(252 251)	(3 035 460)	**(9 954 834)**
- long-term	**-**	**-**	**-**	**-**	**(496 102)**

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

Table no 23

PROVISIONS AS AT 30 JUNE 2006

	as at 30.06.2006	as at 31.12.2005
Provision for unused paid leaves	(2 385 587)	(1 812 653)
Provision for restructuring	(1 498 712)	(2 386 950)
Provision for bonuses	(1 999 998)	(2 000 000)
Provision for agency depot commissions	(992 307)	(655 002)
Provision for costs of transport	(667 760)	(400 000)
Provision for non-trading costs	(530 271)	(344 971)
Provision for employee benefits	(496 102)	(356 753)
Provision for media	(320 116)	(400 075)
Provision for rents	(301 354)	(525 772)
Provision for postal and telecommunication costs	(252 251)	(209 876)
Provision for costs of monitoring and security	(166 425)	(181 160)
Provision for costs of advisory and audit services	(122 775)	(229 090)
Provision for costs of advertising	(100 000)	(425 000)
Other provisions	(617 277)	(1 024 220)
	(10 450 936)	**(10 951 522)**

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

NOTE NO 20.
TRADE LIABILITIES AND OTHER LIABILITIES

Information about trade liabilities and other liabilities is presented in Table No. 24.

Table no 24

TRADE LIABILITIES AND OTHER LIABILITIES AS AT 30 JUNE 2006

	as at 30.06.2006	as at 31.12.2005
Trade liabilities	**302 520 690**	**236 854 087**
Supplies of traded goods	298 661 237	231 456 865
Transport services	3 859 453	5 397 222
Other liabilities	**38 027 204**	**18 386 714**
Financial lease	5 321 723	6 056 630
Settlement of VAT	3 227 807	2 083 926
Payroll	2 111 821	1 721 505
Social insurance	1 563 806	1 279 564
Fixed assets	1 550 854	940 478
Current corporate income tax	929 458	4 188 247
Tax, customs, insurances and other liabilities	1 290 758	578 711
Other liabilities	22 030 977	1 537 653
Total liabilities, including:	**340 547 894**	**255 240 801**
- long-term	11 153 712	4 313 378
- short-term	329 394 182	250 927 423

NOTE NO 21.
LOANS AND CREDITS

Information about loans or credits is presented in Table No. 25.

Table no 25

LOANS AND CREDITS AS AT 30 JUNE 2005

	Liability amount	Interest rate	Costs
Credits	-		-
Millenium	22 201 879	4,87%	499 182
BRE	20 386 143	4,87%	430 977
PeKaO S.A.	12 216 527	5,02%	260 467
Loans	-		-
Loan 1	-	0%	-
Loan 2	-	0%	-
Loan 3	-	0%	-
Loan 4	-	0%	-
Loan 5	-	0%	-
Total loans and credits	**54 804 550**		**1 190 626**

NOTE NO 22.
CONTINGENT LEASE PAYMENTS

In the period from 1 January 2006 to 30 June 2006 were no contingent lease payments.

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

NOTE NO 23.
OTHER FINANCIAL LIABILITIES

Information about other financial liabilities is presented in Table No. 26.

Table no 26

OTHER SHORT-TERM AND LONG-TERM FINANCIAL LIABILITIES AS AT 30 JUNE 2006

	as at 30.06.2006	as at 31.12.2005
Liabilities under financial lease agreements	5 321 723	6 056 630
	5 321 723	**6 056 630**
- long-term	3 653 715	4 313 378
- short-term	1 668 008	1 743 252

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

NOTE NO 24.
LEASE

Specification of leased objects is presented in Table No. 27.

Table no 27

LEASED OBJECTS AS AT 30 JUNE 2006

	Per groups of assets				
	Land, buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Total
Lease - company cars, agreement NIVETTE 21/2003 (Attachment 1.0)	-	-	1 100 000	-	1 100 000
Lease - computer equipment, agreement HEWLETT PACKARD 04PL-	-	4 269 954	-	-	4 269 954
Lease - company cars, agreement WBK ZA2/00007/2005	-	-	67 188	-	67 188
Lease - company cars, agreement WBK ZA2/00011/2005	-	-	152 870	-	152 870
Lease - company cars, agreement WBK ZA2/00017/2005	-	-	50 957	-	50 957
Lease - company cars, agreement WBK ZA2/00014/2005	-	-	152 870	-	152 870
Lease - company cars, agreement WBK ZA2/00032/2005	-	-	167 869	-	167 869
Lease - company cars, agreement WBK ZA2/00031/2005	-	-	101 913	-	101 913
Lease - company cars, agreement WBK ZA2/00037/2005	-	-	129 500	-	129 500
Lease - company cars, agreement WBK ZA2/00039/2005	-	-	73 295	-	73 295
Lease - company cars, agreement WBK ZA2/00061/2005	-	-	147 492		147 492
Lease - company cars, agreement WBK ZA2/00062/2005	-	-	125 410	-	125 410
Lease - company forklifts, agreement Linde Material Handling Polska Sp. z.o. LTR+FSA 05/20852/JP	-	-	2 177 830	-	2 177 830
Net carrying value of leased objects	**-**	**4 269 954**	**4 447 193**	**-**	**8 717 147**

Detailed specification of lease agreements is presented in Table No. 28.

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

Table no 28

LEASE AGREEMENTS AS AT 30 JUNE 2006

							Value of liabilities as at 30 June 2006		
No.	Financing party	Agreement No.	Initial value	Initial value (currency)	Currency	Agreement completion term	Total	Short-term	Long-term
1	Nivette Fleet Management	21/2003	1 100 000		PLN	03.2007	201 988	186 550	15 439
2	Hewlett-Packard Polska Sp. z o.o.	04PL-0003A	4 269 954		PLN	03.2009	2 405 699	790 821	1 614 879
3	WBK Leasing S.A. Poznań	ZA/00007/2005	67 188		PLN	04.2008	38 406	20 351	18 056
4	WBK Leasing S.A. Poznań	ZA/00011/2005	152 870		PLN	04.2008	86 792	46 139	40 653
5	WBK Leasing S.A. Poznań	ZA/00017/2005	50 957		PLN	06.2008	31 397	15 211	16 186
6	WBK Leasing S.A. Poznań	ZA/00014/2005	152 870		PLN	05.2008	90 400	45 852	44 548
7	WBK Leasing S.A. Poznań	ZA/00032/2005	167 869		PLN	06.2008	123 138	48 774	74 364
8	WBK Leasing S.A. Poznań	ZA/00031/2005	101 913		PLN	06.2008	74 157	30 046	44 111
9	WBK Leasing S.A. Poznań	ZA2/00037/2005	129 500		PLN	07.2008	88 404	34 369	54 035
10	WBK Leasing S.A. Poznań	ZA2/00039/2005	73 295		PLN	08.2008	50 149	19 436	30 713
11	WBK Leasing S.A. Poznań	ZA2/00061/2005	147 492		PLN	12.2008	114 368	37 842	76 526
12	WBK Leasing S.A. Poznań	ZA2/00062/2005	125 410		PLN	12.2008	97 238	32 187	65 051
13	Linde Material Handling Polska Sp. z o.o.	LTR+FSA 05/20852/JP	1 949 581		PLN	11.2010	1 703 989	323 749	1 380 241
14	Linde Material Handling Polska Sp. z o.o.	LTR+FSA 05/20852/JP ANEKS nr 3	228 249		PLN	02.2011	215 597	36 683	178 914
			8 717 147	**-**			**5 321 723**	**1 668 008**	**3 653 715**

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

Table no 29

LIABILITIES UNDER FINANCIAL LEASE AGREEMENTS AS AT 30 JUNE 2006

	as at 30.06.2006 minimum fees	as at 30.06.2006 current value of minimum fees	as at 31.12.2005 minimum fees	as at 31.12.2005 current value of minimum fees
Future minimum fees due to financial lease agreements				
Payable within 1 year	2 143 671	1 791 162	2 155 837	1 758 963
Payable in the period from 1 year to 5 years	3 846 032	3 530 562	3 120 326	2 684 578
Payable in the period of over 5 years	-	-	-	-
Total future minimum fees due to financial lease agreements	**5 989 703**	**5 321 723**	**5 276 163**	**4 443 540**
Financial costs	667 980		832 623	
Current value of minimum fees under financial lease agreements	**5 321 723**	**5 321 723**	**4 443 540**	**4 443 540**

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

OPERATING LEASE

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

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

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

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

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

The specificity of the minimal fees for the operation lease is presented in table no 30.

Table no 30

LIABILITIES UNDER OPERATING LEASE AGREEMENTS AS AT 30 JUNE 2006

	as at 30.06.2006	as at 31.12.2005
LIABILITIES UNDER OPERATING LEASE		
Payable within 1 year	15 231 887	18 264 303
Payable in the period from 1 year to 5 years	56 804 870	62 797 637
Payable in the period of over 5 years	20 965 421	30 204 541
Total future minimum fees due to operating lease agreements	**93 002 178**	**111 266 481**

NOTE NO 25.
INCOME TAX

Specification of income tax for the reporting period is presented in Table No. 31 and 32.

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

Table no 31

INCOME TAX FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2005 (main components)

	for the period od 01.01.2006 do 30.06.2006	for the period od 01.01.2005 do 30.06.2005
Profit and loss account		
Current income tax	**(3 367 788)**	**(4 383 303)**
Current income tax burden	(3 367 788)	(4 383 303)
Adjustment of prior years on current income tax	-	-
Deferred income tax	**(320 930)**	**975 250**
Due to creation and reversal of temporary differences	(320 930)	975 250
Due to income tax rate reduction	-	-
Tax burden recorded in profit and loss account	**(3 688 718)**	**(3 408 053)**
Statement on changes in equity		
Current income tax	-	-
Current income tax due to exchange gains/losses on a loan	-	-
	-	-
Deferred income tax	-	-
Net loss due to revaluation of security for cash flows	-	-
Unrealised gains due to financial assets available for sale	-	-
Net deferred income tax recognised in capital reserve at first application of	-	-
Net deferred income tax on security for cash flows settled during the	-	-
Net deferred income tax on financial assets available for sale sold during	-	-
Financial benefit recognised in equity	-	-

Table no 32

ESTABLISH INCOME TAX BURDEN FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2005 (main components)

	for the period od 01.01.2006 do 30.06.2006	for the period od 01.01.2005 do 30.06.2005
Gross profit	**16 433 604**	**15 634 475**
Tax calculated on tax base 19%	(3 122 385)	(2 970 550)
Tax influence from permanent differences between gross profit and tax base	(734 618)	(437 503)
Negative passing differences and tax losses, in connection which the deferred income tax provision was no recognized	189 685	
Capital group unit's tax losses and consolidation corrections	(21 401)	-
Ownershio valuation method		-
others		-
Tax burden shown in profit and losses	**(3 688 718)**	**(3 408 053)**
Effective tax rate	-22,45%	-21,80%

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

NOTE NO 26.
DEFERRED INCOME TAX

Deferred income tax is presented in Table No. 33.

Table no 33

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006

	Balance sheet		Profit and loss account			
	as at 30.06.2006	as at 31.12.2005	for the period od 01.01.2006 do 30.06.2006	for the period od 01.01.2005 do 30.06.2005		
Deferred income tax provision						
- trade mark	3 002 468	-	-	-	-	3 002 468
- difference between tax and accounting depreciation and amortization	3 423 515	2 874 992	548 523	98 838		-
- non-invoiced additional revenues	1 293 888	1 359 089	(65 200)	(803 114)	-	-
- lease	200 340		(15 858)	-	216 198	-
- exchange rates	(26 660)	25 559	(52 219)		-	-
Gross deferred income tax provision	**7 893 551**	**4 259 640**	**415 246**	**(704 276)**	**216 198**	**3 002 468**

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

Table no 33

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006 (continued)

	Balance sheet		Profit and loss account			
	as at 30.06.2006	as at 31.12.2005	for the period od 01.01.2006 do 30.06.2006	for the period od 01.01.2005 do 30.06.2005		
Deferred income tax provision						
- deferment of rebates	1 524 221	1 287 395	(130 398)	40 761	106 428	-
- provision for payroll	704 394	566 077	(61 606)	(606 908)	76 711	-
- provision for paid leaves	453 262	344 404	(108 858)	(47 606)	-	-
- provision for bonuses	380 000	380 000	-	190 000	-	-
- provision for agency depot commissions	155 460	124 450	(31 009)	(119 955)	-	-
- provision for costs of transport	125 582	76 000	(49 582)	(22 842)	-	-
- provision for costs of media	76 481	76 014	(467)	(7 273)	-	-
- provision for postal and telecommunication costs	34 222	39 876	5 655	(2 008)	-	-
- other provisions	832 615	1 442 071	635 933	509 216	26 476	-
- revaluation write-off on inventories	848 818	789 270	(59 548)	314 243	-	-
- allowance for bad debts	580 879	237 536	(23 401)	(76 491)	319 942	-
	-	-	-	-	-	-
	-	-	-	-	-	-
- income recognize	-	-	-	(381 273)	-	-
- valuation of executive options	-	-	-	(60 839)	-	-
- lease liabilities	174 523	-	(174 523)	-	-	-
- interests concern lease	1 661	-	(1 661)	-	-	-
- consolidated excluding concern activated margin on inventories	94 851		(94 851)			-
- deferred income tax assets	**5 986 969**	**5 363 094**	**(94 317)**	**(270 973)**	**529 557**	**-**
Deferred income tax burden			**320 929**	**(1 074 087)**		
Net deferred income tax provision	**1 906 583**	**-**	**X**	**X**		
Net deferred income tax assets	**-**	**1 103 455**	**X**	**X**		

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

NOTE NO 27.
OTHER LONG-TERM PREPAYMENTS

Other long-term prepayments are presented in Table No. 34.

Table no 34

OTHER LONG-TERM PREPAYMENTS AS AT 30 JUNE 2006

	as at 30.06.2006	as at 31.12.2005
Rents	378 495	378 495
Other prepayments	19 484	17 762
	397 978	**396 256**

NOTE NO 28.
NET SALES IN THE REPORTING PERIOD

Net sales are presented in Table No. 35.

Table no 35

NET SALES IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006

	for the period od 01.01.2006 do 30.06.2006	for the period od 01.01.2005 do 30.06.2005
Sales of traded goods	1 232 172 622	781 721 825
Provision of services	26 803 498	20 673 745
Total net sales	**1 258 976 120**	**802 395 571**

NOTE NO 29.
COSTS BY NATURE

Costs by nature are presented in Table No. 36.

Table no 36

COSTS BY NATURE IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006

	for the period od 01.01.2006 do 30.06.2006	for the period od 01.01.2005 do 30.06.2005
Amortisation	(14 185 993)	(12 261 026)
Materials and power	(6 474 576)	(5 090 440)
Third party services	(38 866 462)	(33 315 092)
Fees and taxes	(1 582 732)	(1 198 724)
Payroll	(30 794 515)	(25 123 571)
Social insurance and other benefits	(6 415 369)	(5 556 738)
Other costs by nature	(6 235 724)	(4 633 629)
Costs by nature	**(104 555 370)**	**(87 179 219)**
including:		
Costs of sales	(71 207 542)	(59 631 139)
Costs of general management	(33 347 828)	(27 548 079)

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

NOTE NO 30.
OTHER OPERATING REVENUES AND COSTS

Other operating revenues and costs are presented in Table No. 37.

Table no 37

OTHER OPERATING REVENUES AND COSTS IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006

	for the period od 01.01.2006 do 30.06.2006	for the period od 01.01.2005 do 30.06.2005
Other operating revenues	**3 161 180**	**1 239 841**
Other sales	940 015	324 814
Sub-lease of premises	306 865	100 483
Compensation received	137 991	355 531
Other operating revenues	1 776 308	459 013
Other operating costs	**(4 996 568)**	**(3 940 157)**
Inventory shortages	(1 579 886)	(1 332 172)
Liquidation of damaged and expired goods	(1 241 539)	(1 717 617)
Other operating costs	(2 175 143)	(890 367)
Net other operating revenues (costs)	**(1 835 388)**	**(2 700 315)**

NOTE NO 31.
FINANCIAL REVENUES AND COSTS

Financial revenues and costs are presented in Table No. 38.

Table no 38

FINANCIAL REVENUES AND COSTS IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006

	for the period od 01.01.2006 do 30.06.2006	for the period od 01.01.2005 do 30.06.2005
Financial revenues	**951 289**	**930 523**
Interest	965 942	690 935
Exchange gains	(38 502)	82 723
Other financial revenues	23 849	156 865
Financial costs	**(1 388 652)**	**(2 408 639)**
Interest	(833 510)	(1 572 608)
Bank fees	(330 143)	(474 913)
Exchange losses	(64 150)	(56 602)
Other financial costs	(160 849)	(304 516)
Net financial revenues (costs)	**(437 363)**	**(1 478 115)**

(Net) exchange gains (losses) are presented in Table No. 39.

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

Table no 39

NET EXCHANGE GAINS/LOSSES IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006

	for the period od 01.01.2006 do 30.06.2006	for the period od 01.01.2005 do 30.06.2005
Net sales	-	-
Costs of sold products, traded goods and materials	-	-
Costs of sale	-	-
Costs of general management	-	-
Financial revenues	(38 502)	82 723
Financial costs	(64 150)	(56 602)
Total	**(102 653)**	**26 121**

NOTE NO 32.
RESULT ON DISCONTINUED OPERATIONS

In the period from 1 January 2006 to 30 June 2006 the Group discontinued no operation under its business activity and plans no such discontinuance in the next financial year.

NOTE NO 33.
EARNINGS PER SHARE

Information about earnings per share is presented in Table No. 40.

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

Table no 40

EARNINGS PER SHARE FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006

	for the period od 01.01.2006 do 30.06.2006	for the period od 01.01.2005 do 30.06.2005
Earnings		
Net earnings of a given year for the purpose of calculating earnings per share for distribution among shareholders	12 744 886	12 226 422
Effect of dilution of ordinary shares:		-
Interest on bonds convertible into shares (after tax)	-	-
		-
Earnings disclosed for the needs of calculating diluted earnings per share	12 744 886	12 226 422
Number of issued shares		
Weighted average number of shares disclosed for the needs of calculating diluted earnings per share	127 742 000	127 742 000
Effect of dilution of a potential number of ordinary shares:		
Share options	-	-
Bonds convertible into shares	6 802 100	6 387 100
Weighted average number of ordinary shares (for the needs of calculating diluted earnings per share)	134 544 100	134 129 100
Continued operations		
Net earnings of a given year to be distributed among shareholders	12 744 886	12 226 422
Exclusion of loss on discontinued operations	-	-
Net earnings on continued operations, upon excluding the result on discontinued operations	12 744 886	12 226 422
Effect of dilution of the number of ordinary shares:		
Interest on bonds convertible into shares (after tax)	-	-
Earnings on continued operations disclosed for the needs of calculating diluted earnings per share, upon excluding the result on discontinued operations	**12 744 886**	**12 226 422**

Calculation of weighted average number of shares

1st half of 2006

(127,742,000 X 181 days) / 181 days = 127,742,000

1st half of 2005

(127,742,000 X 181 days) / 181 days = 127,742,000

Calculation of weighted average diluted number of shares

1st half of 2006

(134.129.100 X 180 / 180 days) + (830.000 X 90)/ 180 days)= 134.544.100

1st half of 2005

(134.129.100 X 180 / 180 days) = 134.129.100.

Description of share diluting factors

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

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

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

NOTE NO 34.
BOOK VALUE PER SHARE

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

Table no 41

BOOK VALUE PER SHARE AS AT 30 JUNE 2006

	as at 30.06.2006	as at 31.12.2005
Book value	168 839 423	175 749 434
Number of shares	127 742 000	127 742 000
Diluted number of shares	134 544 100	134 129 100
Book value per share	1,32	1,38
Diluted book value per share	1,25	1,31

NOTE NO 35.
INFORMATION ABOUT RELATED COMPANIES

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

The below table presents information about the total value of salaries, bonuses, awards and other benefits paid or due to members of the Management Board and the Supervisory Board in the period from 1 January 2006 to 30 June 2006.

Table no 42

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF DOMINANT UNIT IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006

	Basic salary	Other benefits	Total
Remuneration of Management Board members			
Luis Amaral	150 000	248 136	398 136
Rui Amaral	270 000	204 855	474 855
Katarzyna Kopaczewska	180 000	114 855	294 855
Arnaldo Guerreiro	240 000	207 719	447 719
Pedro Martinho	240 000	5 230	245 230
Ryszard Majer	150 000	99 719	249 719
	1 230 000	**880 514**	**2 110 514**
Remuneration of Supervisory Board memebrs			
Joao Borges de Assuncao	51 309		51 309
Eduardo Aguinaga de Moraes	24 453		24 453
Ryszard Wojnowski	24 453		24 453
Janusz Lisowski	24 453		24 453
Geoffrey Francis Eric Crossley	8 575		8 575
Antonio Jose Santos Silva Casanova	15 878		15 878
	149 121	**-**	**149 121**

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

Table no 42

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF SUBSIDIARY IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006 (continued)

	Basic salary	Other benefits	Total
Remuneration of Management Board members			
Roman Piątkiewicz	168 000	-	168 000
Mieczysław Kuśnierczak	150 000	-	150 000
	318 000	**-**	**318 000**
Remuneration of Supervisory Board memebrs			
Małgorzata Piątkiewicz	10 000	-	10 000
Monika Piątkiewicz	10 000	-	10 000
Wojciech Budziński	10 000	-	10 000
Paweł Kuśnierczak	10 000	-	10 000
	40 000	**-**	**40 000**

NOTE NO 36.
INFORMATION ABOUT THE HEADCOUNT

Information about the headcount as at 30 June 2005 is presented in Table No. 43.

Table no 43

HEADCOUNT AS AT 30 JUNE 2006

	as at 30.06.2006	as at 31.12.2005
Number of employees	2 114	2 019
Number of full-time jobs	2 008	1 917

Information about the structure of employment as at 30 June 2005 is presented in Table No. 44.

Table no 44

STRUCTURE OF EMPLOYMENT AS AT 30 JUNE 2006

	Depots and distribution centres	Head office	Total
Number of employees	1 903	211	**2 114**
Number of full-time jobs	1 799	209	**2 008**

Information about rotation of personnel as at 30 June 2005 is presented in Table No. 45.

Table no 45

ROTATION OF PERSONNEL IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006

	for the period od 01.01.2006 do 30.06.2006	for the period od 01.01.2005 do 30.06.2005
Number of employees hired	360	417
Number of employees dismissed	(265)	(233)
	95	**184**

NOTE NO 37.
OFF-BALANCE SHEET ITEMS

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

As at 30 June 2006 the value of contingent liabilities due to granted bank guarantees amounted to PLN 6,929,162. Detailed specification is presented in Table No. 46.

Table no 46

CONTINGENT LIABILITIES DUE TO GRANTED BANK GUARANTEES AS AT 30 JUNE 2006

No.	Guarantee for	Title	Currency	as at 30.06.2006	as at 31.12.2005
1	Hewlett Packard	payables concern computer hardware	PLN	2 865 139	3 386 073
2	ELTA	payables concern Suwałki store	PLN	222 793	371 322
3	TULIPAN	payables concern distribution center	EUR*	3 841 230	3 666 810
4	Ministerstwo Finansów	guarantee for "Pewnik" lottery	PLN	-	180 000
				6 929 162	**7 604 205**

NOTE NO 38.
IMPORTANT EVENTS BEFORE THE BALANCE-SHEET DATE

Establishment of the subsidiary companies Eurocash Franszyza Sp. z o.o. and Eurocash Detal Sp. z o.o.

On March 24th 2006, there were signed articles of association of Eurocash Franszyza Sp. z o.o. and Eurocash Detal Sp. z o.o. Eurocash S.A. is the only stakeholder of both subsidiary companies. The share capital of each of the companies equals 50 thousand PLN and was fully covered. Until 30 June 2006 both companies have not been registered in the National Court Register (*KRS*).

The Ordinary Shareholders' Meeting of Eurocash S.A.

On April 25th 2006, the Ordinary Shareholders' Meeting decided to distribute profit for 2005. Based on recommendation expressed in Resolution No 1 of the Supervisory Board of April 10, 2006, the Ordinary Shareholders' Meeting decided that the net profit for 2005 amounting PLN 32,566,149 shall be distributed as follows:

- the amount of PLN 20,438,720 be distributed as dividend in the amount of PLN 0,16 (16 groszes) per one Company share; the persons recorded as shareholders on May 19, 2006 shall be entitled to receive the dividend to be payable by June 30, 2006,
- the amount of PLN 12,127,429 be transferred to Company's supplementary capital, of which PLN 2,605,292 constitutes 8% of the net profit required to be transferred to the supplementary capital pursuant to Article 396 § 1 of the Commercial Companies Code."

Detailed information concerning all resolutions of the Ordinary Shareholders' Meeting were published in the current report on April 29th 2006.

Payment of dividend for 2005

Pursuant to the decision undertaken by the Ordinary Shareholders Meeting on 25 April 2006, Eurocash S.A. paid the dividend of 20,438,720 PLN by 30 June 2006.

Execution of preliminary agreements regarding acquisition of organised parts of enterprise of Carment S.A.

The Management Board of Eurocash SA (hereinafter referred to as "Eurocash") hereby reports that on April 28th 2006, Eurocash and its subsidiaries: Eurocash Franszyza Sp. z o.o. („EC Franszyza") and Eurocash Detal Sp. z o.o. („EC Detal") executed with Carment S.A. of Krosno ("Carment") and its shareholders preliminary agreements, according to which:

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

Among other conditions, the final agreements will be executed after Eurocash obtains consent of the President of the Office of Competition and Consumer Protection (UOKiK). The final agreements should be executed latest by 31 December 2006.

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

Moreover, according to the concluded preliminary agreements, Carment's shareholders which are currently employed in Carment, would run the retail business in the 30 Carment's own stores which are to be acquired by EC Detal, and they will provide EC Franszyza with services with regard to ongoing servicing and expansion of the "Delikatesy Centrum" store chain for period of 36 months following the day of executing of the final agreements.

NOTE NO 39.
PRESENTATION AND EXPLANATION OF DIFFERENCES BETWEEN DATA DISCLOSED IN THESE FINANCIAL STATEMENTS AND COMPARABLE FINANCIAL DATA, AND PREVIOUSLY PREPARED AND PUBLISHED FINANCIAL STATEMENTS

1. Interest received in cash flow

The company made presentation change in cash flow concern position "interest received". Until now company classified and showed interest received in investment part, when in reality interest received were and are connected with current operating activity.

2. Diluted number of shares

In report for the first and the second quarter of 2006 the Company wrongly calculated the diluted number of shares. The presentation was shown in accordance with:

Number of shares: 127.742.000

Diluted number of shares: 140.516.200

Should be in report for the first quarter of 2006:

Number of shares: 127.742.000

Diluted number of shares: 134.129.100

Should be in report for the second quarter of 2006:

Number of shares: 127.742.000

Diluted number of shares: 134.959.100

This reason of change is unimportant for presentation the position "Diluted EPS" and "Diluted book value per share".

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

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President	Luis Amaral	25 October 2006	
Management Board Member Chief Executive Officer	Rui Amaral	25 October 2006	
Management Board Member Financial Executive Officer	Arnaldo Guerreiro	25 October 2006	
Management Board Member Sales Director	Pedro Martinho	25 October 2006	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	25 October 2006	
Management Board Member IT Director	Ryszard Majer	25 October 2006	
Management Board Member	Roman Piątkiewicz	25 October 2006	

EUROCASH S.A.

REPORT OF THE MANAGEMENT BOARD
FOR THE PERIOD FROM 1st JANUARY 2006 TO 30 th JUNE 2006

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

KOMORNIKI, 25th October 2006

CONTENTS

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

Key financial and operational highlights in 1H 2006

- On 31st March 2006, Eurocash purchased 100% of shares in KDWT S.A. with its seat in Poznan („KDWT"), the 2nd biggest tobacco distributor in Poland with a market share of app. 9%. As a result of the transaction Eurocash Group is the 2nd biggest (in terms of sales) FMCG wholesaler in Poland. Eurocash started consolidation of KDWT as of 31st March 2006.
- On April 28, 2006 companies from Eurocash Group executed with Carment S.A. and its shareholders preliminary agreements regarding acquisition of Carment's assets – among others franchise chain of retail stores under the "Delikatesy Centrum" brand and wholesale business– mainly supply of FMCG products to "Delikatesy Centrum" stores. The transaction was realised on August 16th 2006.
- Eurocash S.A. (Discount Cash&Carry) results:
  - Sales increased by **8.7%** in 1H 2006 comparing with 1H 2005
  - Gross margin amounted to **12.8%**
  - LFL sales growth (same number of stores) amounted to **5.4%**
  - Number of abc stores reached **2,342** at the end of 1H 2006
  - The share of abc stores in total sales of Discount Cash & Carry stores amounted to **43.7%** comparing with 38.8% in 1H 2005
- Since beginning of 2Q 2006 Eurocash consolidates results of KDWT S.A. ("KDWT"). Because of this, the consolidated figures for 1H 2006 are not directly comparable with data for 1H 2005.
  - In Active Distribution (KDWT S.A.) sales in 2Q amounted to PLN 426m, EBIT to PLN 3.1m and net profit to PLN 2.0m

Table 1 Eurocash Group: Summary of consolidated financial results for 1H 2006

PLN million	**1H 2006**
Sales revenues	1 258.98
Gross profit/(loss) on sales *(Gross profitability on sales %)*	123.26 9.79%
EBITDA *(EBITDA margin%)*	29.13 2.31%
EBIT *(EBIT margin%)*	16.87 1.34%
Gross profit	16.43
Net income *Net profitability %*	12.74 1.01%

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.

Profit and loss account

Table 2 Eurocash Group: Sales analysis for 1H 2006

PLN million	**1H 2006**
Sales revenues including:	1 258.98
Revenues from sales of goods and materials (sales in discount Cash & Carry stores)	1 232.17
Revenues from sales of products (profits from suppliers and abc franchise fee)	26.80

Table 3 Eurocash Group: Costs analysis for 1H 2006

PLN million	**1H 2006**
Gross profit/(loss) on sales	123.26
(Gross profitability on sales %)	9.79%
Sales costs	(71.21)
(as % of sales)	5.66%
Administrative costs:	(33.35)
(as % of sales)	2.65%
Profit/loss on sales	18.71
(as % of sales)	1.49%
Other operating income	3.16
Other operating costs	(5.00)
Operating profit – EBIT	16.87
(EBIT margin %)	*1.34%*

Cash flow

Table 4 Eurocash Group: Cash flow for 1H 2006

PLN million	**1H 2006**
Operating cash flow	23.24
Gross profit (loss)	16.43
Depreciation	14.19
Change in working capital	0.32
Other	(7.70)
Cash flow from investments	(39.28)
Cash flow from financing activities	(12.28)
Total cash flow	(28.32)

Consolidated cash flow of Eurocash Group in 1H 2006 amounted to minus PLN 28.32 million. The main reasons for this negative number, despite the strong cash flow from operations (PLN 24.16 million) , were investments (PLN 34.91 million - mainly settlement of KDWT acquisition) and dividend payment realised in 2Q 2006 (PLN 20.44 million).

Working capital ratios

Table 5 Working capital ratios flow for 1H 2006

Turnover in days	**Eurocash Group 1H 2006**	**Eurocash Stand-alone 1H 2006**	**Eurocash Stand-alone 1H 2005**
1. Stocks turnover	25.9	27.6	25.9
2. Trade receivables turnover	14.2	8.9	7.8
3. Trade liabilities turnover	47.9	62.9	58.1
4. Operating cycle (1+2)	40.1	36.5	33.7
5. Cash conversion (4-3)	(7.8)	(26.4)	(24.4)

The cash conversion cycle for Eurocash Group is different from Eurocash stand-alone mainly due to different working capital dynamics in KDWT. Because of different market and business model from the one of Eurocash Cash & Carry, KDWT has shorter average payment period and longer trade receivables turnover period.

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 6 Eurocash Group: Selected balance sheet items

PLN million	30.06.2006		31.03.2006		31.12.2005	
Fixed assets	216.25	37.51%	220.17	38.92%	180.61	40.87%
Current assets	360.30	62.49%	345.52	61.08%	261.33	59.13%
Total assets	576.55	100.00%	565.70	100.00%	441.94	100.00%
Equity	168.84	29.28%	174.29	30.81%	175.75	39.77%
Liabilities and provisions	407.71	70.72%	391.41	69.19%	266.19	60.23%
Total liabilities and equity	576.55	100.00%	565.70	100.00%	441.94	100.00%

Comparing with the situation at the end of 2005, the fixed assets equity coverage ratio and equity-to-total assets ratio have decreased, mainly due to dividend payment realised in 1H 2006.

Evaluation of financial resources management

The Eurocash Group net cash position (cash & cash equivalents minus bank debt) amounted at the end of 1H 2006 to PLN 15.92 million. Due to the negative working capital, the Eurocash Group generates significant positive cash flows from operating activities. Major investments realised in 1H 2006 and dividend payment were financed from Eurocash S.A. own financial resources.

In the opinion of the Management, there are no significant financial risks related to the ability of Eurocash Group to pay its liabilities.

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 be the number of days in the period.

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

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

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

2 Major events and factors affecting the Eurocash Group 1H 2006 financial results

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

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

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

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

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

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

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

Incentive schemes

Shareholder's Meeting of Eurocash of April 25, 2006 approved incentive schemes for the key managers of KDWT S.A. and for specified employees of the Company and KDWT.

The number of shares in the incentive scheme for the key managers of KDWT S.A. (series D shares) shall not exceed 830,000 shares and the issue price of one Series D share shall equal to 4.82 zloty.

The number of shares in the incentive scheme for specified employees of the Company and KDWT (series E shares) shall not exceed 1,596,775 shares and the issue price of one Series E share shall equal to the average market price of Eurocash shares in November 2006, adjusted by the exercised rights attached to shares (e.g. payment of dividend).

The entitled persons will have to hold bonds giving the right to acquire shares for period of 3 years and at the same time remain employees of Eurocash or KDWT.

3 Major risks and threats related to the operational activities of the Eurocash Group

External factors

Macroeconomic situation. Purchasing power of the population

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

The structure of the FMCG retail distribution market in Poland

The prevailing form of FMCG retail distribution is a traditional distribution channel with approx. 60% share. Such high share (as compared to other European countries) results from a low concentration of population in the area of the country and bad housing conditions, stimulating more frequent purchases. This situation is advantageous for the Company whose discount cash & carry stores supply small and mid-sized shops located off large agglomerations. A growth in the share of modern distribution will reduce the potential market of the Company's business.

The structure of the traditional FMCG distribution channel. Competition

According to the estimates of the Euroacash, there are approx. 6,000 entities operating on the traditional FMCG distribution market, the majority of which are local stores. That enables price advantage of Eurocash, which operates a country-wide sales chain. However, price competition resulting from the market consolidation process could have a negative impact on the level of margins.

Internal factors

IT systems

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

New investments

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

Suppliers

Eurocash Group cooperates with approximately 470 suppliers, with whom it has concluded agreements providing for discounts and favourable payment terms. While the share of the largest supplier in the Eurocash total product offering does not exceed 5%, the risk, that termination or an unfavourable change of the terms of the agreements might adversely affect the business and financial results of Eurocash Group is limited.

4 Development perspectives of the Eurocash Group

External factors:

Growth in the FMCG market and its structure.

Eurocash 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 Eurocash Group profit and loss.

Internal factors:

Integration of KDWT operations and business acquired from Carment

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

New business formats

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

Organic expansion

Management of Eurocash Group expects, that by the end of 2006, Eurocash cash & carry will open additional 3 cash & carry stores and KDWT will open 25 sales platforms within Eurocash cash & carry stores.

5 Representations of the Management Board

Accuracy and reliability of the reports presented

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

- the consolidated semi-annual financial statements and comparable data have been drawn up in accordance with the applicable accounting principles and give a true and fair view of the economic and financial position of Eurocash Group and of the results of its operations,
- the report of the Management Board on the business activities of Eurocash Group in 1st half of 2006 contains a true views of the development, achievements and position of Eurocash Group, including a description of main risks and threats.

Appointment of the entity qualified to audit financial statements

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

Signatures of the Management Board Members

Position	Name and surname	Date	Signature
President	Luis Amaral	25 October 2006	
Management Board Member Chief Executive Officer	Rui Amaral	25 October 2006	
Management Board Member Financial Executive Officer	Arnaldo Guerreiro	25 October 2006	
Management Board Member Sales Director	Pedro Martinho	25 October 2006	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	25 October 2006	
Management Board Member IT Director	Ryszard Majer	25 October 2006	
Management Board Member	Roman Piątkiewicz	25 October 2006	