EUROCASH

CONSOLIDATED QUARTERLY REPORT

1st QUARTER 2006

CONTENTS:

TRANSLATORS' EXPLANATORY NOTE

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

Management discussion of the financial results for the 1Q 2006

Due to acquisition of KDWT on of March 31, 2006, consolidation of KDWT in 1Q 2006 has impact only on the consolidated balance sheet and consolidated cash flow. Therefore, the presented analysis of Eurocash' financial results for the 1Q 2006 is based on the unconsolidated financial statements of Eurocash S.A.

1. Eurocash S.A.: Key financial and operational highlights in 1Q 2006

- On March 31, 2006 Eurocash acquired 100% of shares in KDWT S.A.
- Eurocash sales increased by **4.3%** in 1Q 2006
- Gross margin amounted to **11.7%**
- LFL sales growth (same number of stores) amounted to **1.6%**
- Number of abc stores reached 2,265 at the end of 1Q 2006 (2,169 at the end of 2005)
- The share of abc stores in total sales of Discount Cash & Carry stores amounted to 43.4% comparing with 39.7% in 1Q 2005
- Sales to abc shops increased by **20.5**% comparing with 1Q 2005

Table 1 Eurocash S.A.: Summary of financial results for 1Q 2006

PLN million	**1Q 2006**	**1Q 2005**	**change 1Q 2006 / 1Q 2005**
Sales revenues	395,97	379,55	4,33%
Gross profit/(loss) on sales	46,44	48,55	-4,34%
(Gross profitability on sales %)	11,73%	12,79%	-1,06%
EBITDA	5,23	11,61	-55,00%
(EBITDA margin%)	1,32%	3,06%	-1,74%
EBIT	(1,43)	5,49	-126,07%
(EBIT margin%)	-0,36%	1,45%	-1,81%
Gross profit	(1,18)	4,05	-129,23%
Net income	(1,85)	2,41	-176,96%
Net profitability %	-0,47%	0,63%	-1,10%

2. Eurocash S.A.: Profit and loss account

Table 2 Eurocash S.A.: Sales analysis for 1Q 2006

PLN million	**1Q 2006**	**1Q 2005**	**change 1Q 2006 / 1Q 2005**
Sales revenues including:	395,97	379,55	4,33%
Revenues from sales of goods and materials (sales in Discount Cash&Carry stores)	388,13	368,89	5,21%
Revenues from sales of products (bonuses from suppliers and abc franchise fee)	7,85	10,65	-26,35%
Number of Discount Cash&Carry stores (end of period)	94	90	4
Sales in stores operating in 1Q 2005 and in 1Q 2006 (like-for-like).	339,61	334,26	1,60%

Table 3 Eurocash S.A.: Costs analysis for 1Q 2006

PLN million	1Q 2006	1Q 2005	change 1Q 2006 / 1Q 2005
Gross profit/(loss) on sales	46,44	48,55	-4,34%
(Gross profitability on sales %)	11,73%	12,79%	-1,06%
Sales costs including:	(30,51)	(28,45)	7,24%
(as % of sales)	7,70%	7,50%	0,21%
Logistic costs	(7,49)	(7,48)	0,12%
(as % of sales)	1,89%	1,97%	-0,08%
Costs of operations of Cash & Carry discounts	(23,02)	(20,97)	9,78%
(as % of sales)	5,81%	5,52%	0,29%
Administrative costs:	(16,57)	(12,98)	27,59%
(as % of sales)	4,18%	3,42%	0,76%
Profit/loss on sales	(0,63)	7,11	-108,91%
(as % of sales)	-0,16%	1,87%	-2,03%
Other operating income	1,05	0,50	109%
Other operating costs	(1,84)	(2,13)	-13%
Operating profit – EBIT	(1,43)	5,49	-126%
(EBIT margin %)	*-0,36%*	*1,45%*	*-1,81%*

** operational costs of distribution centers, transportation costs are included in costs of operations of Cash & Carry discounts*

Lower gross profitability on sales in 1Q 2006 resulted from lower wholesale prices in response to changing market conditions. Based on past experience, the Management Board of Eurocash expects gross profitability on sales to improve by year's end.

Increased costs of operations of Cash & Carry discounts in 1Q 2006 result from opening new stores during 2005, which has not yet achieved sales level of average store, and in effect increased the ratio: cost of operations of cash & carry stores / sales.

The increase of administrative expenses in 1Q 2006 was mainly due to:

- Increase of marketing costs by PLN 1.3 million
- IT development costs (PLN 0.5 million)
- Amortisation of the MHC trademark (PLN 0.3 million)

Moreover the costs related to the employee share options in 1Q 2006 amounted to PLN 0.39 million.

3. Cash flow

Table 4 Eurocash S.A.: Cash flow for 1Q 2006

PLN million	1Q 2006	1Q 2005
Operating cash flow	(12,68)	21,41
Gross profit (loss)	(1,18)	4,05
Depreciation	6,66	6,12
Change in working capital	(11,70)	13,16
Other	(6,45)	(1,91)
Cash flow from investments	(1,69)	(7,83)
Cash flow from financing activities	(0,61)	(0,34)
Total cash flow	**(14,98)**	**13,24**

Total cash flow in 1Q 2005 amounted to minus PLN 14.98 million. The main reason for negative total cash flow in the period was decrease in trade liabilities by PLN 18.3 million and loss realised in 1Q 2006. In 1Q 2006 the company also paid PLN 4.59 million of corporate income tax for the year 2005.

4. Working capital ratios

Table 5 Eurocash S.A.: Working capital ratios flow for 1Q 2006

Turnover in days	1Q 2006	1Q 2005
1. Inventories turnover	27,9	25,5
2. Trade receivables turnover	7,0	8,5
3. Trade liabilities turnover	56,3	55,5
4. Operating cycle (1+2)	**34,9**	**34,0**
5. Cash conversion (4-3)	**(21,4)**	**(21,5)**

The negative cash conversion cycle was maintained at the same level as in 1Q 2005. Increase in turnover of inventories related mainly to the acquisition of MHC stores during 2005 what resulted in increased amount of inventories. The inventories turnover ratio in 1Q 2006 was maintained on similar level realized as in 4Q 2005 (27.9 days in 1Q 2006 comparing with 27.3 days in 4Q 2005).

5. 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 S.A.: Selected balance sheet items

PLN million	31.03.2006		31.12.2005		31.03.2005	
Fixed assets	236,57	49,57%	180,61	40,87%	180,97	48,83%
Current assets	240,68	50,43%	261,33	59,13%	189,62	51,17%
Total assets	**477,25**	**100,00%**	**441,94**	**100,00%**	**370,59**	**100,00%**
Equity	174,29	36,52%	175,75	39,77%	145,23	39,19%
Liabilities and provisions	302,96	63,48%	266,19	60,23%	225,36	60,81%
Total liabilities and equity	**477,25**	**100,00%**	**441,94**	**100,00%**	**370,59**	**100,00%**

Comparing with the situation at the end of 1Q 2005, the fixed assets equity coverage ratio and equity-to-total assets ratio have decreased, mainly due to decrease of the level of equity (resulting from net loss) and realised investments.

Ratios definitions

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

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

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

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

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

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

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

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

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

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

- On 31st March 2006, Eurocash S.A. (hereafter "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 21 January 2006, Eurocash S.A. entered into a letter of intent with Carment S.A. (hereinafter referred to as "Carment") and its shareholders regarding a potential transaction whereby Eurocash or its subsidiaries would acquire the Carment enterprise, its organised part, certain assets of Carment, or a 100% interest in Carment. On 28 April 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.

  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.

7. Development perspectives

External Factors:

- Growth in the FMCG market and its structure. The Company expects further growth of modern distribution channels; its unfavourable impact on company's income will be compensated by growth of the FMCG market in absolute terms and consolidation in the traditional wholesale market.
- Fuel prices. As logistic expenses, closely connected with fuel prices, are a vital part of selling expenses, their substantial changes may influence the Company's profit and loss.

Internal Factors:

- Acquisition of KDWT shares

  The Management Board of Eurocash believes the transaction will allow to increase the sales of both companies. This is to be achieved among others by:

  - opportunity to acquire new clients by KDWT among the Eurocash customers (in particular among the stores which operate in "abc" network,

- faster expansion of KDWT by use of the locations and storage space of Eurocash Discount Cash & Carry stores in order to set up the operations in new regions,
- broadening of the KDWT assortment by introduction of selected products distributed by Eurocash,
- opportunity to unify the purchase conditions within the group.

Due to necessity of integration of both companies 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.

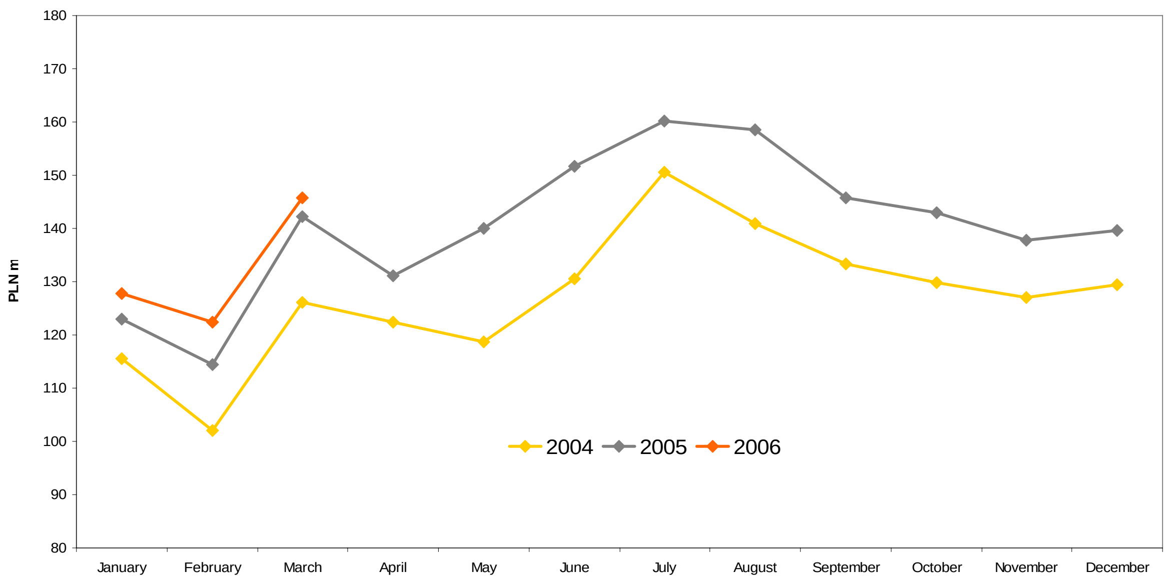
- Development of new formats of wholesale distribution or new formats of retail stores franchise chains, in order to give a full offer to our clients and on the same time to achieve economies of scale.
- Opening new discount cash & carry stores (organic expansion). By the end of 2006 Eurocash expects to operate at least 100 cash & carry stores.
- Strict cost control

8. Additional information

Explanations regarding seasonality

Sales in 1Q are traditionally lower than in other quarters, due to lower demand after relatively higher spending related to Christmas time. The sales peak during summer and stabilise in the 4Q.

The chart below presents the seasonality pattern based on the monthly sales data for the 1Q 2006 and the years 2004 and 2005.



Issuance, redemption and repayment of debt and capital securities

In 1st quarter 2006 Eurocash S.A. did not issue, acquire or repay debt or capital securities.

Information on dividend

According to the Resolution No 2 of the Ordinary Shareholders' Meeting of Eurocash S.A. of April 25, 2006 the dividend payment out of the net profit for the year 2005 will amount to PLN 20,438,720 (PLN 0,16 per one Eurocash share). Entitled will be persons recorded as shareholders on May 19, 2006. The dividend will be payable by June 30, 2006.

The payment of the dividend in next years depends mainly on the financing requirements related to realisation of potential acquisitions and to the investment program.

Information concerning changes in conditional liabilities or assets, which have occurred since closing the last financial year.

In 1st quarter 2006 Eurocash S.A. conditional liabilities decreased by 249.6 thousand PLN.

Effects of changes in the structure of the Eurocash Group

Further to acquisition of KDWT, Eurocash Group has been formed. On the operational level it did not have a significant impact on the organisation structure of both companies, as KDWT will operate as a separate company, with its own management.

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

The Management Board of Eurocash S.A. has not published or does not intend to publish financial forecasts for 2006.

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

	31.03.2006 r.				31.12.2005 r.			
Shareholder	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)
1. Luis Manuel Conceicao do Amaral (directly and indirectly through Politra B.V.)	70,258,100	55 %	70,258,100	55 %	70,258,100	55 %	70,258,100	55 %
2. American Life Insurance and Reinsurance Company (includes stake hold by AIG Otwarty Fundusz Emerytalny)	5,275,757	4.13%	5,275,757	4.13%	7,341,781	5.75%	7,341,781	5.75%
3. J.P. Morgan Chase & Co (subsidiaries)	6,310,593	4.94%	6,310,593	4.94%	6,579,041	5.15%	6,579,041	5.15%
4. Charlemagne Capital (IOM) Limited	6,488,383	5.08%	6,488,383	5.08%	n.a.	n.a.	n.a.	n.a.

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

as of 15.05.2006	Eurocash shares	Rights to acquire Series B shares	Rights to acquire Series C shares	Total
Management Board members				
Luis Amaral (directly and indirectly)	70,258,100	0	0	70,258,100
Rui Amaral	0	643,000	498,550	1,141,550
Katarzyna Kopaczewska	0	164,000	157,000	321,000
Arnaldo Guerreiro	0	483,000	400,000	883,000
Pedro Martinho	0	323,000	224,000	547,000
Ryszard Majer	0	164,000	157,000	321,000
Supervisory Board members				
Eduardo Aguinaga de Mores	0	0	0	0
Joao Borges de Assuncao	0	0	0	0
Ryszard Wojnowski	0	0	0	0
Janusz Lisowski	0	0	0	0
Antonio Jose Santos Silva Casanova	0	0	0	0

Information on legal suits.

In the 1st quarter 2006 companies belonging to Eurocash group were not involved into any legal suit in any court, nor in a body competent for arbitration proceedings nor an administrative body, which total value would amount to at least 10 % of equity.

Transactions with related entities

In the 1st quarter 2006 Eurocash S.A. did not carry out any transaction with a related entity.

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

In the 1st quarter 2006 Eurocash did not grant a surety for a credit or a loan nor did it grant a guarantee of total value equivalent to 10% of the issuer's equity.

Signatures of Management Board Members representing the Company:

Arnaldo Guerreiro
Member of the Management Board
Eurocash S.A.

Rui Amaral
Member of the Management Board
Eurocash S.A.

Poznan, 15th May 2006

EUROCASH S.A.

QUARTERLY ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1ST JANUARY 2006 TO 31ST MARCH 2006

POZNAŃ, 15th May 2006

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GENERAL INFORMATION

1. INFORMATION ON THE COMPANY

1.1. COMPANY NAME

EUROCASH Spółka Akcyjna

1.2. REGISTERED OFFICE

ul. Wołczyńska 18, 60-003 Poznań

1.3. CORE BUSINESS

Other wholesale (PKD 5190 Z)

1.4. REGISTRY COURT

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

1.5. DURATION OF THE COMPANY

Indefinite

1.6. PERIOD COVERED BY THE ABBREVIATED FINANCIAL STATEMENTS

The reporting period 1st January 2006 - 31st March 2006 and comparable periods: 1st January 2005 – 31st March 2005

2. COMPANY'S GOVERNING BODIES

2.1. MANAGEMENT BOARD

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

2.2. SUPERVISORY BOARD

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

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

On 6th March 2006 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.

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

SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED CONSOLIDATED FIGURES AS AT 31 MARCH 2006

	for the period 01.01.2006 to 31.03.2006 PLN	for the period 01.01.2005 to 31.03.2005 PLN	for the period 01.01.2006 to 31.03.2006 EUR	for the period 01.01.2005 to 31.03.2005 EUR
Net sales	395 973 157	379 545 904	102 967 848	94 524 918
Operating profit (loss)	(1 431 174)	5 489 230	(372 159)	1 367 078
Profit (loss) before tax	(1 182 648)	4 046 469	(307 533)	1 007 762
Net Profit (loss) on continued operations	(1 853 624)	2 408 710	(482 012)	599 883
Net profit (loss)	(1 853 624)	2 408 710	(482 012)	599 883
Net operating cash flow	(12 676 848)	21 414 663	(3 296 455)	5 333 266
Net investment cash flow	7 016 482	(7 833 013)	1 824 548	(1 950 791)
Net financial cash flow	(610 512)	(339 104)	(158 756)	(84 453)
Net change in cash and cash equivalents	(6 270 878)	13 242 546	(1 630 663)	3 298 022
Weighted average number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Weighted average diluted number of shares	140 516 200	134 129 100	140 516 200	134 129 100
EPS (in PLN / EUR)	(0,01)	0,02	(0,00)	0,00
Diluted EPS (in PLN / EUR)	(0,01)	0,02	(0,00)	0,00
Average PLN / EUR rate*			3,8456	4,0153

	na dzień 31.03.2006 PLN	na dzień 31.03.2005 PLN	na dzień 31.03.2006 EUR	na dzień 31.03.2005 EUR
Assets	565 697 597	370 591 603	143 734 938	90 748 978
Long-term liabilities	18 749 912	2 674 333	4 764 060	654 880
Short-term liabilities	372 659 963	222 683 902	94 687 086	54 529 936
Equity	174 287 721	145 233 368	44 283 792	35 564 162
Share capital	127 742 000	127 742 000	32 457 250	31 280 946
Number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Diluted number of shares	140 516 200	134 129 100	140 516 200	134 129 100
Book value per share (in PLN / EUR)	1,36	1,14	0,35	0,28
Diluted book value per share (in PLN / EUR)	1,24	1,08	0,32	0,27
Declared or paid dividend (in PLN / EUR)	-	-	-	-
Declared or paid dividend per share (in PLN / EUR)	-	-	-	-
PLN / EUR rate at the end of the period**			3,9357	4,0837

* - 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

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2006 (functional classification)

	1 Quarter for the period from 01.01.2006 to 31.03.2006	1 Quarter for the period from 01.01.2005 to 31.03.2005
Continued operations		
Net sales	**395 973 157**	**379 545 904**
Net sales of traded goods	388 125 876	368 891 184
Net sales of services	7 847 281	10 654 720
Net sales of materials	-	-
Prime costs of sales	**(349 532 610)**	**(330 997 323)**
Costs of sold traded goods	(349 532 610)	(330 997 323)
Costs of sold services	-	-
Costs of sold materials	-	-
Gross profit (loss) on sales	**46 440 547**	**48 548 581**
Costs of sales	(30 509 225)	(28 450 551)
Costs of general management	(16 565 518)	(12 983 399)
Profit (loss) on sales	**(634 196)**	**7 114 631**
Other operating revenues	1 047 983	501 404
Other operating costs	(1 844 961)	(2 126 805)
Share in profits of companies consolidated with the equity method	-	-
Costs of restructuring	-	-
Operating profit (loss)	**(1 431 174)**	**5 489 230**
Financial revenues	598 658	422 909
Financial costs	(350 132)	(1 865 670)
Other profit (loss) on investments	-	-
Profit (loss) before tax	**(1 182 648)**	**4 046 469**
Income tax	(670 976)	(1 637 759)
Net profit (loss) on continued operations	**(1 853 624)**	**2 408 710**
Discontinued operations		
Net loss on discontinued operations	-	-
Net profit (loss)	**(1 853 624)**	**2 408 710**

NET EARNINGS PER SHARE

	PLN / akcję	PLN / akcję
Net profit (loss) on continued operations	(1 853 624)	2 408 710
Net profit (loss) on continued and discontinued operations	(1 853 624)	2 408 710
Weighted average number of shares	127 742 000	127 742 000
Weighted average diluted number of shares	140 516 200	134 129 100
from continued operations		
- basic	(0,01)	0,02
- diluted	(0,01)	0,02
from continued and discontinued operations		
- basic	(0,01)	0,02
- diluted	(0,01)	0,02

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

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006

	1st Quarter as at 31.03.2006	4th Quarter as at 31.12.2005	1st Quarter as at 31.03.2005	4th Quarter as at 31.12.2004
Assets				
Fixed assets (long-term)	**220 173 239**	**180 607 408**	**180 971 522**	**178 557 491**
Intangible fixed assets	124 891 261	110 819 059	106 312 896	108 282 640
Goodwill	19 836 473	-	-	-
Tangible fixed assets	74 427 004	67 732 878	72 485 214	68 510 733
Investment real property	-	-	-	-
Investments in subsidiary companies	-	-	-	-
Long-term financial assets available for sale	-	-	-	-
Other long-term financial assets	61 885	-	-	-
Long-term receivables	560 359	555 759	189 159	189 159
Long-term prepayments	396 256	1 499 712	1 984 253	1 574 958
Deferred income tax assets	-	1 103 455	1 807 282	1 399 289
Other long-term prepayments	396 256	396 256	176 971	175 670
Current assets (short-term)	**345 524 358**	**261 334 348**	**189 620 081**	**188 581 826**
Invetories	161 811 950	120 260 552	104 503 996	112 280 762
Trade receivables	82 143 123	36 889 803	35 016 825	40 132 743
Current income tax receivables	-	-	-	-
Other short-term receivables	4 602 138	2 706 467	1 027 446	1 053 743
Short-term financial assets available for sale	-	-	-	-
Short-term financial assets held for trade	-	-	-	-
Other short-term financial assets	-	-	-	-
Cash and cash equivalents	92 773 886	99 044 764	47 157 454	33 914 908
Short-term prepayments	4 193 260	2 432 762	1 914 360	1 199 669
Fixed assets classified as held for sale	-	-	-	-
Total assets	**565 697 597**	**441 941 757**	**370 591 603**	**367 139 316**

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

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006

	1 kwartał na dzień 31.03.2006	4 kwartał na dzień 31.12.2005	1 kwartał na dzień 31.03.2005	4 kwartał na dzień 31.12.2004
Liabilities				
Equity	**174 287 721**	**175 749 434**	**145 233 368**	**142 664 556**
Share capital	127 742 000	127 742 000	127 742 000	127 742 000
Supplementary capital	15 174 214	14 782 302	160 681	579
Retained earnings	31 371 508	33 225 132	17 330 687	14 921 977
Profit (loss) of prior years	33 225 132	658 983	14 921 977	(7 218 674)
Net profit (loss) of the current year	(1 853 624)	32 566 149	2 408 710	22 140 651
Liabilities	**391 409 875**	**266 192 323**	**225 358 234**	**224 474 760**
Long-term liabilities	**18 749 912**	**4 670 131**	**2 674 333**	**3 263 054**
Long-term loans and credits	-	-	-	-
Other long-term financial liabilities	4 068 760	4 313 378	2 674 333	3 263 054
Other long-term liabilities	12 499 995	-	-	-
Deferred income tax provision	1 440 668	-	-	-
Provision for employee benefits	420 373	356 753	-	-
Other long-term provisions	320 115	-	-	-
Short-term liabilities	**372 659 963**	**261 522 192**	**222 683 902**	**221 211 706**
Short-term loans and credits	44 878 555	-	-	-
Other short-term financial liabilities	1 741 962	1 743 252	1 634 199	1 106 272
Trade liabilities	257 869 929	236 854 087	204 232 686	202 377 121
Current income tax liabilities	403 339	4 188 247	(132 863)	500 687
Other short-term liabilities	57 199 074	8 141 837	7 343 172	6 999 122
Short-term provisions	10 567 105	10 594 769	9 606 707	10 228 505
Liabilities due to fixed assets held for sale	-	-	-	-
Total liabilities	**565 697 597**	**441 941 757**	**370 591 603**	**367 139 316**

BOOK VALUE PER SHARE AS AT 31 MARCH 2006

	1 kwartał na dzień 31.03.2006	4 kwartał na dzień 31.12.2005	1 kwartał na dzień 31.03.2005	4 kwartał na dzień 31.12.2004
Book value	**174 287 721**	**175 749 434**	**145 233 368**	**142 664 556**
Number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Diluted number of shares	140 516 200	134 129 100	134 129 100	134 129 100
Book value per share	**1,36**		**1,14**	
Diluted book value per share	**1,24**		**1,08**	

OFF BALANCE SHEET ITEMS

Contingent Receivables	**-**	**-**	**-**	**-**
Related companies	-	-	-	-
Other companies	-	-	-	-
Contingent Liabilities	**7 161 579**	**7 411 215**	**8 650 105**	**6 532 720**
Related companies	-	-	-	-
Other companies	7 161 579	7 411 215	8 650 105	6 532 720
- guaranties and sureties granted	7 161 579	7 411 215	8 650 105	6 532 720
Other	-	-	-	-
Total	**7 161 579**	**7 411 215**	**8 650 105**	**6 532 720**

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2006 (indirect method)

	1 Quarter for the period from 01.01.2006 to 31.03.2006	1 Quarter for the period from 01.01.2005 to 31.03.2005
Operating cash flow		
Net profit before tax	**(1 182 648)**	**4 046 469**
Adjustments:	**6 208 934**	**7 148 223**
Depreciation	6 657 194	6 122 897
Impairment allowance on tangible fixed assets	-	-
(Profit) loss on sold tangible fixed assets	22 702	1 981
(Profit) loss on sold financial assets available for sale	-	-
Profit (loss) on investment real property valuation at fair value	-	-
(Profit) loss on changes in fair value of financial assets recorded at fair value	-	-
Costs of interest	115 857	1 319 947
Interest received	(586 820)	(296 602)
Operating cash before changes in working capital	**5 026 286**	**11 194 692**
Changes in inventory	(238 483)	7 776 766
Changes in receivables	6 789 818	5 142 216
Changes in liabilities	(20 186 219)	1 566 067
Changes in provisions and accruals	884 765	(2 698 448)
Other adjustments	1 046 938	1 373 231
Operating cash	**(6 676 896)**	**24 354 523**
Interest paid	(1 408 366)	(894 107)
Income tax paid	(4 591 586)	(2 045 752)
Net operating cash	**(12 676 848)**	**21 414 663**
Investment cash flow		
Expenditures for purchased intangible fixed assets	(121 003)	(4 927 723)
Receipts from sold intangible fixed assets	-	-
Expenditures for purchased tangible fixed assets	(2 389 904)	(3 201 892)
Receipts from sold tangible fixed assets	235 839	-
Cash of subsidiary companies	8 704 730	-
Interest received	586 820	296 602
Net investment cash	**7 016 482**	**(7 833 013)**
Financing cash flow		
Receipts due to taking loans and credits	-	-
Repaid loans and credits	-	-
Repaid liabilities under financial lease	(503 291)	(265 030)
Interest	(107 220)	(74 074)
Net financing cash	**(610 512)**	**(339 104)**
Net change in cash and cash equivalents	**(6 270 878)**	**13 242 546**
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	**92 773 886**	**47 157 454**

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

CONSOLIDATED STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 1 JANUARY TO 31 MARCH 2006

	Share capital	Supplementary capital	Retained earnings	**Total**
Balance as at 1 January 2005	**127 742 000**	**579**	**14 262 994**	**142 005 573**
Changes in the principles (policy) of accounting	-	-	658 983	658 983
Balance upon changes	**127 742 000**	**579**	**14 921 977**	**142 664 556**
Changes in equity in the period from 1 January to 31 March 2005				
Net profit presented directly in equity	**-**	**-**	**-**	**-**
Net profit for the period from 1 January to 31 March 2005	-	-	2 408 710	**2 408 710**
Total profit and loss recorded in the period from 1 January to 31 March 2005	**-**	**-**	**2 408 710**	**2 408 710**
Dividends	-	-	-	**-**
Issued share capital	-	-	-	**-**
Issued options convertible into shares	-	160 102	-	**160 102**
Balance as at 31 March 2005	**127 742 000**	**160 681**	**17 330 687**	**145 233 368**
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**
Changes in equity in the period from 1 January to 31 March 2006				
Net profit presented directly in equity	-	-	-	**-**
Net profit for the period from 1 January to 31 March 2006	-	-	(1 853 624)	**(1 853 624)**
Total profit and loss recorded in the period from 1 January to 31 March 2006	-	-	(1 853 624)	**(1 853 624)**
Dividends	-	-	-	**-**
Issued share capital	-	-	-	**-**
Issued options convertible into shares	-	391 912	-	**391 912**
Balance as at 31 March 2006	**127 742 000**	**15 174 214**	**31 371 508**	**174 287 721**

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

SELECTED UNIT FINANCIAL DATA

SELECTED SEPARATE FIGURES AS AT 31 MARCH 2006

	for the period 01.01.2006 to 31.03.2006 PLN	for the period 01.01.2005 to 31.03.2005 PLN	for the period 01.01.2006 to 31.03.2006 EUR	for the period 01.01.2005 to 31.03.2005 EUR
Net sales	395 973 157	379 545 904	102 967 848	94 524 918
Operating profit (loss)	(1 431 174)	5 489 230	(372 159)	1 367 078
Profit (loss) before tax	(1 182 648)	4 046 469	(307 533)	1 007 762
Net Profit (loss) on continued operations	(1 853 624)	2 408 710	(482 012)	599 883
Net profit (loss)	(1 853 624)	2 408 710	(482 012)	599 883
Net operating cash flow	(12 676 848)	21 414 663	(3 296 455)	5 333 266
Net investment cash flow	(1 688 248)	(7 833 013)	(439 008)	(1 950 791)
Net financial cash flow	(610 512)	(339 104)	(158 756)	(84 453)
Net change in cash and cash equivalents	(14 975 608)	13 242 546	(3 894 219)	3 298 022
Weighted average number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Weighted average diluted number of shares	140 516 200	134 129 100	140 516 200	134 129 100
EPS (in PLN / EUR)	(0,01)	0,02	(0,00)	0,00
Diluted EPS (in PLN / EUR)	(0,01)	0,02	(0,00)	0,00
Average PLN / EUR rate*			3,8456	4,0153

	na dzień 31.03.2006 PLN	na dzień 31.03.2005 PLN	na dzień 31.03.2006 EUR	na dzień 31.03.2005 EUR
Assets	477 248 358	370 591 603	121 261 366	90 748 978
Long-term liabilities	16 925 508	2 674 333	4 300 508	654 880
Short-term liabilities	286 035 128	222 683 902	72 677 066	54 529 936
Equity	174 287 721	145 233 368	44 283 792	35 564 162
Share capital	127 742 000	127 742 000	32 457 250	31 280 946
Number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Diluted number of shares	140 516 200	134 129 100	140 516 200	134 129 100
Book value per share (in PLN / EUR)	1,36	1,14	0,35	0,28
Diluted book value per share (in PLN / EUR)	1,24	1,08	0,32	0,27
Declared or paid dividend (in PLN / EUR)	-	-	-	-
Declared or paid dividend per share (in PLN / EUR)	-	-	-	-
PLN / EUR rate at the end of the period**			3,9357	4,0837

* - 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 UNIT FINANCIAL STATEMENTS

SEPARATE PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2006 (functional classification)

	1 Quarter for the period from 01.01.2006 to 31.03.2006	1 Quarter for the period from 01.01.2005 to 31.03.2005
Continued operations		
Net sales	**395 973 157**	**379 545 904**
Net sales of traded goods	388 125 876	368 891 184
Net sales of services	7 847 281	10 654 720
Net sales of materials	-	-
Prime costs of sales	**(349 532 610)**	**(330 997 323)**
Costs of sold traded goods	(349 532 610)	(330 997 323)
Costs of sold services	-	-
Costs of sold materials	-	-
Gross profit (loss) on sales	**46 440 547**	**48 548 581**
Costs of sales	(30 509 225)	(28 450 551)
Costs of general management	(16 565 518)	(12 983 399)
Profit (loss) on sales	**(634 196)**	**7 114 631**
Other operating revenues	1 047 983	501 404
Other operating costs	(1 844 961)	(2 126 805)
Share in profits of companies consolidated with the equity method	-	-
Costs of restructuring	-	-
Operating profit (loss)	**(1 431 174)**	**5 489 230**
Financial revenues	598 658	422 909
Financial costs	(350 132)	(1 865 670)
Other profit (loss) on investments	-	-
Profit (loss) before tax	**(1 182 648)**	**4 046 469**
Income tax	(670 976)	(1 637 759)
Net profit (loss) on continued operations	**(1 853 624)**	**2 408 710**
Discontinued operations		
Net loss on discontinued operations	-	-
Net profit (loss)	**(1 853 624)**	**2 408 710**

NET EARNINGS PER SHARE

	PLN / akcję	PLN / akcję
Net profit (loss) on continued operations	(1 853 624)	2 408 710
Net profit (loss) on continued and discontinued operations	(1 853 624)	2 408 710
Weighted average number of shares	127 742 000	127 742 000
Weighted average diluted number of shares	140 516 200	134 129 100
from continued operations		
- basic	(0,01)	0,02
- diluted	(0,01)	0,02
from continued and discontinued operations		
- basic	(0,01)	0,02
- diluted	(0,01)	0,02

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

SEPARATE BALANCE SHEET AS AT 31 MARCH 2006

	1st Quarter as at 31.03.2006	4th Quarter as at 31.12.2005	1st Quarter as at 31.03.2005	4th Quarter as at 31.12.2004
Assets				
Fixed assets (long-term)	**236 565 523**	**180 607 408**	**180 971 522**	**178 557 491**
Intangible fixed assets	108 541 630	110 819 059	106 312 896	108 282 640
Tangible fixed assets	64 805 825	67 732 878	72 485 214	68 510 733
Investment real property	-	-	-	-
Investments in subsidiary companies	61 013 012	-	-	-
Long-term financial assets available for sale	-	-	-	-
Other long-term financial assets	-	-	-	-
Long-term receivables	560 359	555 759	189 159	189 159
Long-term prepayments	1 644 697	1 499 712	1 984 253	1 574 958
Deferred income tax assets	1 248 441	1 103 455	1 807 282	1 399 289
Other long-term prepayments	396 256	396 256	176 971	175 670
Current assets (short-term)	**240 682 835**	**261 334 348**	**189 620 081**	**188 581 826**
Invetories	120 499 035	120 260 552	104 503 996	112 280 762
Trade receivables	30 028 588	36 889 803	35 016 825	40 132 743
Current income tax receivables	-	-	-	-
Other short-term receivables	2 773 264	2 706 467	1 027 446	1 053 743
Short-term financial assets available for sale	-	-	-	-
Short-term financial assets held for trade	-	-	-	-
Other short-term financial assets	-	-	-	-
Cash and cash equivalents	84 069 157	99 044 764	47 157 454	33 914 908
Short-term prepayments	3 312 791	2 432 762	1 914 360	1 199 669
Fixed assets classified as held for sale	-	-	-	-
Total assets	**477 248 358**	**441 941 757**	**370 591 603**	**367 139 316**

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

SEPARATE BALANCE SHEET AS AT 31 MARCH 2006

	1 kwartał na dzień 31.03.2006	4 kwartał na dzień 31.12.2005	1 kwartał na dzień 31.03.2005	4 kwartał na dzień 31.12.2004
Liabilities				
Equity	**174 287 721**	**175 749 434**	**145 233 368**	**142 664 556**
Share capital	127 742 000	127 742 000	127 742 000	127 742 000
Supplementary capital	15 174 214	14 782 302	160 681	579
Retained earnings	31 371 508	33 225 132	17 330 687	14 921 977
Profit (loss) of prior years	33 225 132	658 983	14 921 977	(7 218 674)
Net profit (loss) of the current year	(1 853 624)	32 566 149	2 408 710	22 140 651
Liabilities	**302 960 636**	**266 192 323**	**225 358 234**	**224 474 760**
Long-term liabilities	**16 925 508**	**4 670 131**	**2 674 333**	**3 263 054**
Long-term loans and credits	-	-	-	-
Other long-term financial liabilities	4 068 760	4 313 378	2 674 333	3 263 054
Other long-term liabilities	12 499 995	-	-	-
Deferred income tax provision	-	-	-	-
Provision for employee benefits	356 753	356 753	-	-
Other long-term provisions	-	-	-	-
Short-term liabilities	**286 035 128**	**261 522 192**	**222 683 902**	**221 211 706**
Short-term loans and credits	-	-	-	-
Other short-term financial liabilities	1 741 962	1 743 252	1 634 199	1 106 272
Trade liabilities	218 491 901	236 854 087	204 232 686	202 377 121
Current income tax liabilities	403 339	4 188 247	(132 863)	500 687
Other short-term liabilities	54 830 822	8 141 837	7 343 172	6 999 122
Short-term provisions	10 567 105	10 594 769	9 606 707	10 228 505
Liabilities due to fixed assets held for sale	-	-	-	-
Total liabilities	**477 248 358**	**441 941 757**	**370 591 603**	**367 139 316**

BOOK VALUE PER SHARE AS AT 31 MARCH 2006

	1 kwartał na dzień 31.03.2006	4 kwartał na dzień 31.12.2005	1 kwartał na dzień 31.03.2005	4 kwartał na dzień 31.12.2004
Book value	**174 287 721**	**175 749 434**	**145 233 368**	**142 664 556**
Number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Diluted number of shares	140 516 200	134 129 100	134 129 100	134 129 100
Book value per share	**1,36**		**1,14**	
Diluted book value per share	**1,24**		**1,08**	

OFF BALANCE SHEET ITEMS

Contingent Receivables	**-**	**-**	**-**	**-**
Related companies	-	-	-	-
Other companies	-	-	-	-
Contingent Liabilities	**7 161 579**	**7 411 215**	**8 650 105**	**6 532 720**
Related companies	-	-	-	-
Other companies	7 161 579	7 411 215	8 650 105	6 532 720
- guaranties and sureties granted	7 161 579	7 411 215	8 650 105	6 532 720
Other	-	-	-	-
Total	**7 161 579**	**7 411 215**	**8 650 105**	**6 532 720**

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

SEPARATE CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2006 (indirect method)

	1 Quarter for the period from 01.01.2006 to 31.03.2006	1 Quarter for the period from 01.01.2005 to 31.03.2005
Operating cash flow		
Net profit before tax	**(1 182 648)**	**4 046 469**
Adjustments:	**6 208 934**	**7 148 223**
Depreciation	6 657 194	6 122 897
Impairment allowance on tangible fixed assets	-	-
(Profit) loss on sold tangible fixed assets	22 702	1 981
(Profit) loss on sold financial assets available for sale	-	-
Profit (loss) on investment real property valuation at fair value	-	-
(Profit) loss on changes in fair value of financial assets recorded at fair value	-	-
Costs of interest	115 857	1 319 947
Interest received	(586 820)	(296 602)
Operating cash before changes in working capital	**5 026 286**	**11 194 692**
Changes in inventory	(238 483)	7 776 766
Changes in receivables	6 789 818	5 142 216
Changes in liabilities	(20 186 219)	1 566 067
Changes in provisions and accruals	884 765	(2 698 448)
Other adjustments	1 046 938	1 373 231
Operating cash	**(6 676 896)**	**24 354 523**
Interest paid	(1 408 366)	(894 107)
Income tax paid	(4 591 586)	(2 045 752)
Net operating cash	**(12 676 848)**	**21 414 663**
Investment cash flow		
Expenditures for purchased intangible fixed assets	(121 003)	(4 927 723)
Receipts from sold intangible fixed assets	-	-
Expenditures for purchased tangible fixed assets	(2 389 904)	(3 201 892)
Receipts from sold tangible fixed assets	235 839	-
Expenditures for purchased subsidiary companies	-	-
Interest received	586 820	296 602
Dividends received	-	-
Net investment cash	**(1 688 248)**	**(7 833 013)**
Financing cash flow		
Receipts due to taking loans and credits	-	-
Repaid loans and credits	-	-
Repaid liabilities under financial lease	(503 291)	(265 030)
Interest	(107 220)	(74 074)
Net financing cash	**(610 512)**	**(339 104)**
Net change in cash and cash equivalents	**(14 975 608)**	**13 242 546**
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	**84 069 157**	**47 157 454**

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

SAPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 1 JANUARY TO 31 MARCH 2006

	Share capital	Supplementary capital	Retained earnings	**Total**
Balance as at 1 January 2005	**127 742 000**	**579**	**14 262 994**	**142 005 573**
Changes in the principles (policy) of accounting	-	-	658 983	658 983
Balance upon changes	**127 742 000**	**579**	**14 921 977**	**142 664 556**
Changes in equity in the period from 1 January to 31 March 2005				
Net profit presented directly in equity	**-**	**-**	**-**	**-**
Net profit for the period from 1 January to 31 March 2005	-	-	2 408 710	**2 408 710**
Total profit and loss recorded in the period from 1 January to 31 March 2005	**-**	**-**	**2 408 710**	**2 408 710**
Dividends	-	-	-	**-**
Issued share capital	-	-	-	**-**
Issued options convertible into shares	-	160 102	-	**160 102**
Balance as at 31 March 2005	**127 742 000**	**160 681**	**17 330 687**	**145 233 368**
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**
Changes in equity in the period from 1 January to 31 March 2006				
Net profit presented directly in equity	-	-	-	**-**
Net profit for the period from 1 January to 31 March 2006	-	-	(1 853 624)	**(1 853 624)**
Total profit and loss recorded in the period from 1 January to 31 March 2006	-	-	(1 853 624)	**(1 853 624)**
Dividends	-	-	-	**-**
Issued share capital	-	-	-	**-**
Issued options convertible into shares	-	391 912	-	**391 912**
Balance as at 31 March 2006	**127 742 000**	**15 174 214**	**31 371 508**	**174 287 721**

SUPPLEMENTARY INFORMATION TO THE ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 01.01.2006 TO 31.03.2006

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 15th May 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 Poznań, ul. Wołczyńska 18.
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 Poznań, Towarowa 36.

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 31.03.2006

1. name of entity	Eurocash S.A.	KDWT S.A.
2. seat	Wołczyńska 18 60-003 Poznań	Towarowa 35
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 Company were presented in points 2.2 – 2.26.

2.2. FINANCIAL YEAR AND REPORTING PERIOD

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

2.3. MAINTAINANCE OF ACCOUNTING BOOKS

The accounting books are maintained in the Polish language and Polish currency.

The accounting books are kept at the Company's office located at ul. Wiśniowa 11 in Komorniki, near Poznań.

2.4. FORMAT AND CONTENTS OF THE ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

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

The abbreviated consolidated statements include in particular:

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

2.5. INTANGIBLE ASSETS

Definition

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

The Company's intangible assets include:

- Licenses on computer software,
- Economic copyrights,
- Rights to trademarks, utility and decoration models,
- Know-how,
- Perpetual 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 Company 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” and “ABC” trademarks, they are not amortised, but only periodically tested for the impairment of value with frequency assuring that no material differences between the book value and recoverable amount at the balance–sheet date occurred. The “Eurocash” and “ABC” trademarks are tested for the impairment of value annually.

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

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

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

2.6. TANGIBLE FIXED ASSETS

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

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

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

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

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

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

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

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

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

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

Tangible fixed assets are amortised using the straight-line method starting from the month following the month when the asset is placed in service. 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 Company and are valued at the commencement of the lease agreement in accordance with the lesser of the two values: fair value of the asset, which is the leasing subject or the current value of the minimal leasing charges. Leasing payments are divided into the interest part and the capital part in such a manner as to let the interest rate from the outstanding amount be a fixed amount.

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

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

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

2.9. INVESTMENT REAL ESTATE

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

2.10. LONG-TERM ACCOUNTS RECEIVABLES

Definition

Long-term accounts receivable include receivables which are due more than one year from the balance-sheet date.
The portion of long-term receivables that is due within one year from the balance-sheet date should be disclosed under short-term accounts receivable.
Long-term accounts receivable include prepaid security deposits, which are under long-term (multi-year) store lease agreements.

Valuation of long-term accounts receivable

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

2.11. LONG-TERM PREPAYMENTS AND ACCRUED INCOME

Deferred income tax assets

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

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 Company applies compensation of deferred tax assets and provisions.

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

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

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

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

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

Fixed assets (or a group for disposal) are classified as intended for sale if their balance-sheet value is recovered due to a sale transaction rather than due to their further use.
Such situation occurs if the following conditions are fulfilled:

- assets element (or a group intended for sale) is available for an immediate sale at its current state, considering only ordinary and commonly accepted conditions of selling assets (or a group intended for sale) of such type and its sale is highly likely;
- representatives of a relevant level of management are determined to complete the sales plan of the assets element (or a group intended for sale);
- an active program of soliciting a purchaser and completion of the program has been commenced;

- assets element (or a group intended for sale) must be actively offered for sale at a price which is rational in reference to its current fair value;
- the sale will be recognized as completed within one year from the day of classification, and the activities necessary for the completion of the program indicate that it is highly unlikely that any significant changes in the program will be made or that the program will be withdrawn from.

2.13. INVENTORIES

Definition

The Company's inventories include:

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

Rules for establishing acquisition price

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

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

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

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

Valuation of inventories as at the balance-sheet date

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

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

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

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

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

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

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

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

Stocktaking

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

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

2.14. FINANCIAL INSTRUMENTS

Definition

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

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

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

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

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

Valuation of financial instruments as at the balance-sheet date

The Company values:

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

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

2.15. TRADE AND OTHER SHORT-TERM RECEIVABLES

Trade receivables

Trade receivables include accounts receivable resulting from deliveries or services provided, which are due up to 12 months and exceeding 12 months.
This item does not include prepaid deliveries payable to suppliers, which are included in the inventories item, as well as any prepayments for intangible assets and tangible fixed assets under construction, which increase the fixed assets.

Other short-term receivables

Other short-term receivables include accounts receivable due within a period shorter than 1 year from the balance-sheet date, with the exception of trade receivables.
This item does not include any prepayments for intangible assets and tangible fixed assets under construction, which are included in the fixed assets.

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

Trade receivables and other short-term receivables are recognized in the books at the due amount adjusted by respective revaluation write-offs. The value of particular accounts receivable should be discounted to current value in case the impact of value of money in time is material.
The interest due for delays in payments by the Company's clients is disclosed at the moment of receipt of money by the Company.

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

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 Company (based on past experience, reliable analysis, forecasts, etc),
- accounts receivable under court proceeding – 100% of the due amount of the receivables,
- accounts receivable past due exceeding 180 days – 100% of the due amount of the receivables.

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

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

2.16. INVESTMENTS IN SECURITIES

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

2.17. SHORT-TERM PREPAYMENTS AND ACCRUED INCOME

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

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

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

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

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

2.22. PROVISIONS

The provisions are made in cases where the Company 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 Company includes in its financial statements the costs of retirement and other employee benefits provided after termination of their employment, by creating a provision for retirement benefits.
The application of IAS no 19 “Employee Benefits” resulted in creation of a provision for employee benefits after termination of employment with the application of the “Projected Unit Credit”. The actuarial forecast of projected unit method was prepared by a certified actuary. Liabilities identified on the memorial basis were assessed as future discounted payments, adjusted by employees rotation rate and demographic rate, to which the employees were entitled as at the balance-sheet date.

2.25. TAXES

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

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

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

The deferred tax provision is created from all taxable positive timing differences, however deferred tax asset is recognized to the amount in which it is likely that it will decrease future tax gains by recognized negative timing differences. The tax assets or liabilities do not arise in the event that the timing differences arise from the goodwill of the Company or initial recognition of assets or liabilities in the transaction that affects neither accounting nor taxable profit.

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

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

2.26. BUSINESS COMBINATIONS AND THE BASIS OF CONSOLIDATION

Subsidiaries

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

Accounting method

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

Costs of business combination

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

The date of an acquisition

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

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

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

Selected consolidation procedures

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

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

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 31.03.2006

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. with its seat in Poznań, 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, i.e. on the last day of the current reporting period. 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

6. Revenues and financial result of the consolidated business units

Due to the fact that the acquisition of control of KDWT S.A. by Eurocash S.A. took place on the last day of the current reporting period, i.e. 31st March 2006, non of the above-mentioned companies generated revenues or financial result after the acquisition date and until the end of the reporting period. In the event that the acquisition date in case of these business units would be the beginning of the current reporting period, then the income of the consolidated business for the given period would equal PLN 760,323,631, and the financial result PLN -1,536,555 (loss).

NOTE NO 2
OPERATIONS SEGMENTS – BUSINESS AND GEOGRAPHICAL

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

- better understand the results achieved by the entity,
- 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.

As a result of an analysis of Eurocash Group business activities, taking into account regulations of IAS no 14, Segment reporting, the Company decided to separate the following business segments of the capital group:

- traditional wholesale – wholesale activity run through discount Cash & Carry network,
- active distribution – wholesale activity based on active distribution of FMCG products

According to IAS no 34, the Company is obliged to present in its abbreviated financial statements, revenues and results per particular business or geographical segments, depends on, which reporting system is used by the Company. Due to the fact that the separation of the above segments is directly connected with the acquisition of KDWT S.A., which took place in the last day of the current reporting period, there were no revenues and results recognized in the consolidated results.
Profit and loss account presented in the abbreviated consolidated financial statements for the first quarter of 2006 is equal to the unit result of Eurocash S.A. Due to this, presented result for the current period represents traditional wholesale business segment.

NOTE NO 3
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. Initial capital of each company amount to PLN 50,000 and till the balance sheet date was not contributed. Also, both companies were not registered by the court.

NOTE NO 4
EVENTS AFTER THE BALANCE-SHEET DATE

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.

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.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
Management Board Member Chief Executive Officer	Rui Amaral	15th May 2006	
Management Board Member Financial Executive Officer	Arnaldo Guerreiro	15th May 2006	