EUROCASH

CONSOLIDATED QUARTERLY REPORT

2nd 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 2Q 2006

1. Eurocash: Key financial and operational highlights in 2Q 2006

- On April 28, 2006 companies from Eurocash Group executed with Carment S.A. of Krosno ("Carment") and its shareholders preliminary agreements regarding acquisition of Carment's assets – among others franchise chain of retail stores under the "Delikatesy Centrum" brand and wholesale business– mainly supply of FMCG products to "Delikatesy Centrum" stores. The Management Board of Eurocash S.A. expects either the fulfillment or the waiver of the remaining conditions precedent of the agreement by the parties in the near future, which will enable realisation of the transaction.
- Discount Cash&Carry results (Eurocash S.A.):
  - Sales increased by **12.6%** in 2Q 2006 comparing with 2Q 2005
  - Gross margin amounted to **13.7%**
  - LFL sales growth (same number of stores) amounted to **8.2%**
  - Number of abc stores reached **2,342** at the end of 2Q 2006
  - The share of abc stores in total sales of Discount Cash & Carry stores amounted to **43.9%** comparing with 39.5% in 2Q 2005
  - Sales to abc shops increased by **23.2**% comparing with 2Q 2005
- Since beginning of 2Q 2006 Eurocash consolidates results of KDWT S.A. ("KDWT"). Because of this, the consolidated figures for 2Q 2006 are not directly comparable with data for 1H 2006, 2Q 2005 and 1H 2005.
  - In Active Distribution (KDWT S.A.) sales in 2Q amounted to PLN 426m, EBITDA to PLN 3.7m and net profit to PLN 2.0m
  - Assuming consolidation of KDWT from 1 January 2006 the sales of the merged entity for 1H 2006 would equal PLN 1,623.4 million and net income would amount to PLN 13.0 million.

2. Eurocash Group

Profit & loss account

Table 1 Eurocash Group: Summary of consolidated financial results for 2Q 2006

PLN million	**2Q 2006**
Sales revenues	863.00
Gross profit/(loss) on sales	76.82
(Gross profitability on sales %)	8.90%
EBITDA	25.83
(EBITDA margin %)	2.99%
EBIT	18.30
(EBIT margin%)	2.12%
Gross profit	17.62
Net income	14.60
Net profitability %	1.69%

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

Below we present the consolidated results for 2Q 2006 split by the following business segments:
- traditional wholesale – wholesale operations conducted by the Cash & Carry discount chain, including the entire operations of the dominant entity - Eurocash S.A.
- active distribution – wholesale operations in the area of specialist active distribution of the FMCG goods, including the entire operations of the subsidiary - KDWT S.A.

Table 2 Eurocash Group: Summary of financial results for 2Q 2006 by business segment

PLN million	**Traditional wholesale**	**Active ditribution**	**Exclusions**	**Total**
Sales revenues	476.29	426.24	(39.53)	863.00
EBITDA	22.73	3.71	(0.61)	25.83
(EBITDA margin %)	*4.77%*	*0.87%*		*2.99%*
EBIT	15.83	3.09	(0.61)	18.30
(EBIT margin%)	*3.32%*	*0.72%*		*2.12%*
Gross profit	15.79	2.44	(0.61)	17.62
Income tax	(2.68)	(0.43)	0.09	(3.02)
Net income	13.11	2.01		14.60
Net profitability %	*2.75%*	*0.47%*		*1.69%*

Assuming that the acquisition date in the case of the above-mentioned merger would be the 1 January 2006, in such an event the proceeds of the merged entity for the 1H 2006 would amount to PLN 1,623.44 million and the financial result would be PLN 12.97 million.

Cash flow

Table 3 Eurocash Group: Consolidated cash flow for 2Q 2006

PLN million	**2Q 2006**
Operating cash flow	35.92
Gross profit (loss)	*17.62*
Depreciation	*7.53*
Change in working capital	*12.02*
Other	*(1.25)*
Cash flow from investments	(46.29)
Cash flow from financing activities	(11.67)
Total cash flow	(22.05)

Total cash flow of Eurocash Group in 2Q 2005 amounted to minus PLN 22.05 million. The main reason for negative total cash flow in the period was cash out related to investments. In 2Q 2006 the company also paid dividends out of net income for the year 2005.

Working capital

Table 4 Eurocash Group: Consolidated working capital ratios flow for 2Q 2006

Turnover in days	
1. Inventories turnover	19.0
2. Trade receivables turnover	10.4
3. Trade liabilities turnover	34.8
4. Operating cycle (1+2)	29.4
5. Cash conversion (4-3)	(5.4)

The negative working capital was still maintained after consolidation of KDWT. The negative cash conversion cycle enables Eurocash Group to release cash in line with growing sales.

Balance sheet

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

Table 5 Eurocash Group: Selected consolidated balance sheet items

PLN million	30.06.2006		31.03.2006	
Fixed assets	216.25	37.51%	220.17	38.92%
Current assets	360.30	62.49%	345.52	61.08%
Total assets	576.55	100.00%	565.70	100.00%
Equity	168.84	29.28%	174.29	30.81%
Liabilities and provisions	407.71	70.72%	391.41	69.19%
Total liabilities and equity	576.55	100.00%	565.70	100.00%

Comparing with the situation at the end of 1Q 2006, the fixed assets equity coverage ratio and equity-to-total assets ratio have decreased, mainly due to dividend payment realised in 2Q 2006.

3. Eurocash S.A.

Profit & loss account

Table 6 Eurocash S.A.: Summary of financial results for 2Q 2006

PLN million	2Q 2006	2Q 2005	change 2Q 2006 / 2Q 2005
Sales revenues	476.29	422.85	12.64%
Gross profit/(loss) on sales	65.19	58.44	11.55%
(Gross profitability on sales %)	13.69%	13.82%	-0.13%
EBITDA	22.73	17.76	27.99%
(EBITDA margin%)	4.77%	4.20%	0.57%
EBIT	15.83	11.62	36.18%
(EBIT margin%)	3.32%	2.75%	0.57%
Gross profit	15.79	11.59	36.27%
Net income	13.11	9.82	33.51%
Net profitability %	2.75%	2.32%	0.43%

Table 7 Eurocash S.A.: Sales analysis for 2Q 2006

PLN million	2Q 2006	2Q 2005	change 2Q 2006 / 2Q 2005
Sales revenues including:	476.29	422.85	12.64%
Revenues from sales of goods and materials (sales in Discount Cash&Carry stores)	460.65	412.83	11.58%
Revenues from sales of products (bonuses from suppliers and abc franchise fee)	15.64	10.02	56.15%
Number of Discount Cash&Carry stores (end of period)	94	92	2
Sales in stores operating in 2Q 2005 and in 2Q 2006 (like-for-like).	457.54	412.83	10.83%

Table 8 Eurocash S.A.: Costs analysis for 2Q 2006

PLN million	2Q 2006	2Q 2005	change 2Q 2006 / 2Q 2005
Gross profit/(loss) on sales *(Gross profitability on sales %)*	65.19 13.69%	58.44 13.82%	11.55% -0.13%
Costs of sales: *(as % of sales)*	(32.10) 6.74%	(31.18) 7.37%	2.96% -0.63%
General Management costs:	(16.23)	(14.56)	11.41%
(as % of sales)	3.41%	3.44%	-0.04%
Profit/loss on sales	16.86	12.70	32.80%
(as % of sales)	3.54%	3.00%	0.54%
Other operating income	1.78	0.74	141%
Other operating costs	(2.81)	(1.81)	55%
Operating profit – EBIT	15.83	11.62	36%
(EBIT margin %)	*3.32%*	*2.75%*	*0.57%*
Depreciation	6.90	6.14	12%
EBITDA	22.73	17.76	28%
(EBITDA margin%)	*4.77%*	*4.20%*	*0.57%*

In 2Q 2006 gross profitability on sales after decrease in 1Q recovered to the level realised in 2005 and amounted to 13.7%. Costs of sales were lower than in 2Q 2005, what enabled to increase the EBITDA and EBIT margin by 0.57 pp to the level of 4.77% and 3.32% respectively.

Cash flow

Table 9 Eurocash S.A.: Cash flow for 2Q 2006

PLN million	2Q 2006	2Q 2005
Operating cash flow	46.34	31.99
Gross profit (loss)	*15.79*	*11.59*
Depreciation	*6.90*	*6.14*
Change in working capital	*24.67*	*14.82*
Other	*(1.03)*	*(0.55)*
Cash flow from investments	(47.08)	(10.32)
Cash flow from financing activities	(20.98)	(0.43)
Total cash flow	**(21.73)**	**21.24**

Total cash flow of Eurocash S.A. in 2Q 2005 amounted to minus PLN 21.73 million. The main reasons for this negative number, despite the strong cash flow from operations, were investments (mainly settlement of KDWT acquisition) and dividend payment realised in 2Q 2006.

Working capital

Table 10 Eurocash S.A.: Working capital ratios flow for 2Q 2006

Turnover in days	**2Q 2006**	**2Q 2005**
1. Inventories turnover	25.4	24.9
2. Trade receivables turnover	8.2	7.5
3. Trade liabilities turnover	58.5	56.1
4. Operating cycle (1+2)	**33.6**	**32.3**
5. Cash conversion (4-3)	**(24.9)**	**(23.7)**

The cash conversion cycle was improved comparing with 2Q 2005. Longer turnover of inventories and trade receivables have been off-set with extended turnover of trade liabilities.

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 11 Eurocash S.A.: Selected balance sheet items

PLN million	30.06.2006		31.03.2006		30.06.2005	
Fixed assets	233.50	49.01%	236.57	49.57%	186.15	45.47%
Current assets	242.96	50.99%	240.68	50.43%	223.23	54.53%
Total assets	476.46	100.00%	477.25	100.00%	409.37	100.00%
Equity	167.35	35.12%	174.29	36.52%	155.15	37.90%
Liabilities and provisions	309.11	64.88%	302.96	63.48%	254.22	62.10%
Total liabilities and equity	476.46	100.00%	477.25	100.00%	409.37	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 dividend payment realised in 2Q 2006.

Ratios definitions

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

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

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

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

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

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

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

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

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

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

- 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.

5. Development perspectives

External Factors:

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

Internal Factors:

- Integration of KDWT operations

  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.

- Transaction with Carment
  Management Board of Eurocash expects, that the transaction of acquisition of Carment assets will be finalized within the 3rd quarter 2006.

- 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 open additional 3 cash & carry stores. The lower number than previously expected results from delays in process of acquisition o new locations.

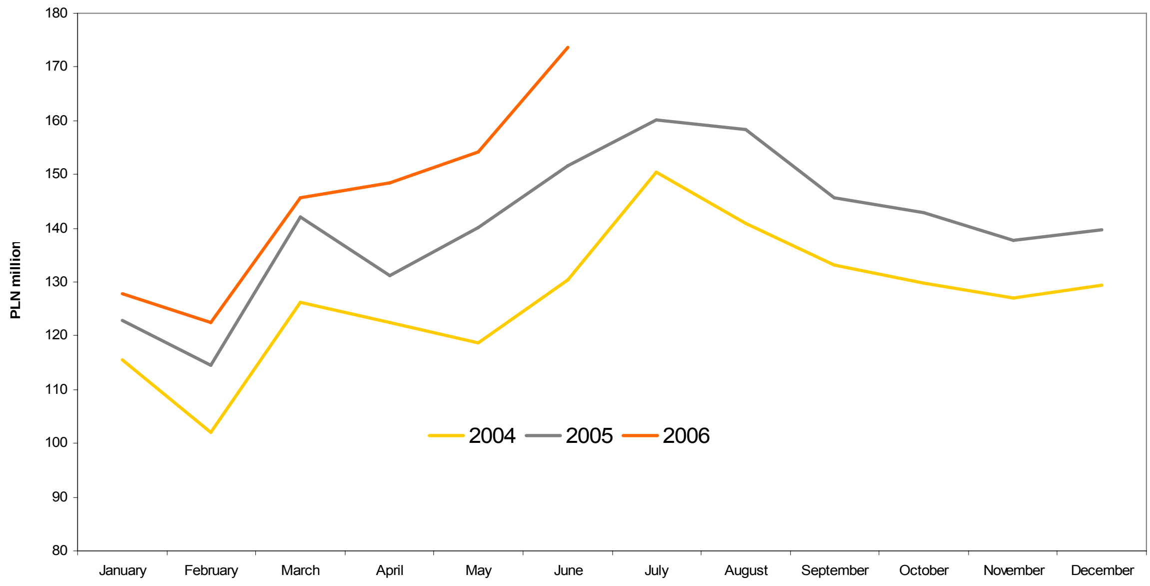
- Strict cost control

6. Additional information

Explanations regarding seasonality

Sales in 1Q are traditionally lower than in other quarters, due to lower demand. Then sales peak during summer and stabilise in the 4Q.

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



Issuance, redemption and repayment of debt and capital securities

In 2Q 2006 Eurocash S.A. did not issue, acquire or repay debt or capital securities.

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

In 2nd quarter 2006 conditional liabilities of Eurocash Group decreased by 191.7 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.

	14.08.2006				30.06.2006			
Shareholder	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)
1. Luis Manuel Conceicao do Amaral (directly and indirectly through Politra B.V.)	70,258,100	55 %	70,258,100	55 %	70,258,100	55 %	70,258,100	55 %
2. Charlemagne Capital (IOM) Limited	6,488,383	5.08%	6,488,383	5.08%	6,488,383	5.08%	6,488,383	5.08%
3. ING Nationale – Nederlanden Polska Otwarty Fundusz Emerytalny	6 598 714	5.17%	6 598 714	5.17%	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 14.08.2006	**Eurocash Series A shares**	**Rights to acquire Series B shares**	**Rights to acquire Series C shares**	**Rights to acquire Series D shares**	**Total**
Management Board members					
Luis Amaral (directly and indirectly)	70,258,100	0	0	0	70,258,100
Rui Amaral	0	643,000	498,550	0	1,141,550
Katarzyna Kopaczewska	0	164,000	157,000	0	321,000
Arnaldo Guerreiro	0	483,000	400,000	0	883,000
Pedro Martinho	0	323,000	224,000	0	547,000
Ryszard Majer	0	164,000	157,000	0	321,000
Roman Piątkiewicz	0	0	0	507,222	507,222
Supervisory Board members					
Eduardo Aguinaga de Mores	0	0	0	0	0
Joao Borges de Assuncao	0	0	0	0	0
Ryszard Wojnowski	0	0	0	0	0
Janusz Lisowski	0	0	0	0	0
Antonio Jose Santos Silva Casanova	0	0	0	0	0

Information on legal suits.

In the 2nd 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.

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

In the 2nd 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:

Position	Name and surname	Date	Signature
Management Board Member Chief Executive Officer	Rui Amaral	14th August 2006	
Management Board Member Financial Executive Officer	Arnaldo Guerreiro	14th August 2006	

EUROCASH S.A.

QUARTERLY ABBREVIATED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1ST JANUARY 2006 TO 30TH JUNE 2006

KOMORNIKI, 14th August 2006

CONTENTS

GENERAL INFORMATION

1. INFORMATION ON THE COMPANY

1.1. COMPANY NAME

EUROCASH Spółka Akcyjna

1.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

1.3. CORE BUSINESS

Other wholesale (PKD 5190 Z)

1.4. REGISTRY COURT

District Court of Poznań, XXI Commercial Division of the National Court Register,

Entry no KRS 00000213765

1.5. DURATION OF THE COMPANY

Indefinite

1.6. PERIOD COVERED BY THE ABBREVIATED FINANCIAL STATEMENTS

The reporting period 1st January 2006 - 30th June 2006 and comparable periods: 1st January 2005 – 30th June 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,
Roman Stefan Piątkiewicz – Management Board Member (from 30th June 2006)

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

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

SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED CONSOLIDATED FIGURES AS AT 30 JUNE 2006

	for the period 01.01.2006 to 30.06.2006 PLN	for the period 01.01.2005 to 30.06.2005 PLN	for the period 01.01.2006 to 30.06.2006 EUR	for the period 01.01.2005 to 30.06.2005 EUR
Net sales	1 258 976 120	802 395 571	322 797 836	196 641 483
Operating profit (loss)	16 870 967	17 112 590	4 325 667	4 193 748
Profit (loss) before tax	16 433 604	15 634 475	4 213 528	3 831 510
Net Profit (loss) on continued operations	12 744 886	12 226 422	3 267 752	2 996 305
Net profit (loss)	12 744 886	12 226 422	3 267 752	2 996 305
Net operating cash flow	23 238 783	53 401 950	5 958 357	13 087 109
Net investment cash flow	(39 276 784)	(18 154 500)	(10 070 454)	(4 449 087)
Net financial cash flow	(12 282 874)	(769 074)	(3 149 293)	(188 475)
Net change in cash and cash equivalents	(28 320 875)	34 478 376	(7 261 391)	8 449 547
Weighted average number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Weighted average diluted number of shares	140 516 200	134 129 100	140 516 200	134 129 100
EPS (in PLN / EUR)	0,10	0,10	0,03	0,02
Diluted EPS (in PLN / EUR)	0,09	0,09	0,02	0,02
Average PLN / EUR rate*			3,9002	4,0805

	as at 30.06.2006 PLN	as at 30.06.2005 PLN	as at 30.06.2006 EUR	as at 30.06.2005 EUR
Assets	576 549 386	409 373 177	142 590 242	101 327 486
Long-term liabilities	13 556 397	3 094 416	3 352 722	765 926
Short-term liabilities	394 153 565	251 128 418	97 480 725	62 158 961
Equity	168 839 423	155 150 343	41 756 795	38 402 600
Share capital	127 742 000	127 742 000	31 592 719	31 618 524
Number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Diluted number of shares	140 516 200	134 129 100	140 516 200	134 129 100
Book value per share (in PLN / EUR)	1,32	1,21	0,33	0,30
Diluted book value per share (in PLN / EUR)	1,20	1,16	0,30	0,29
Declared or paid dividend (in PLN / EUR)	-	-	-	-
Declared or paid dividend per share (in PLN / EUR)	-	-	-	-
PLN / EUR rate at the end of the period**			4,0434	4,0401

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

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

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

ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

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

	2nd Quarter for the period from 01.04.2006 to 30.06.2006	2 Quarters for the period from 01.01.2006 to 30.06.2006	2nd Quarter for the period from 01.04.2005 to 30.06.2005	2 Quarters for the period from 01.01.2005 to 30.06.2005
Continued operations				
Net sales	**863 002 963**	**1 258 976 120**	**422 849 666**	**802 395 571**
Net sales of traded goods	844 046 746	1 232 172 622	412 830 642	781 721 825
Net sales of services	18 956 217	26 803 498	10 019 025	20 673 745
Net sales of materials	-	-	-	-
Prime costs of sales	**(786 181 786)**	**(1 135 714 396)**	**(364 406 123)**	**(695 403 446)**
Costs of sold traded goods	(786 181 786)	(1 135 714 396)	(364 406 123)	(695 403 446)
Costs of sold services	-	-	-	-
Costs of sold materials	-	-	-	-
Gross profit (loss) on sales	**76 821 178**	**123 261 725**	**58 443 543**	**106 992 124**
Costs of sales	(40 698 316)	(71 207 542)	(31 180 588)	(59 631 139)
Costs of general management	(16 782 311)	(33 347 828)	(14 564 680)	(27 548 079)
Profit (loss) on sales	**19 340 551**	**18 706 355**	**12 698 275**	**19 812 906**
Other operating revenues	2 113 197	3 161 180	738 438	1 239 841
Other operating costs	(3 151 607)	(4 996 568)	(1 813 352)	(3 940 157)
Share in profits of companies consolidated with the equity method	-	-	-	-
Costs of restructuring	-	-	-	-
Operating profit (loss)	**18 302 140**	**16 870 967**	**11 623 360**	**17 112 590**
Financial revenues	352 631	951 289	507 615	930 523
Financial costs	(1 038 520)	(1 388 652)	(542 968)	(2 408 639)
Other profit (loss) on investments	-	-	-	-
Profit (loss) before tax	**17 616 252**	**16 433 604**	**11 588 006**	**15 634 475**
Income tax	(3 017 742)	(3 688 718)	(1 770 294)	(3 408 053)
Net profit (loss) on continued operations	**14 598 510**	**12 744 886**	**9 817 713**	**12 226 422**
Discontinued operations				
Net loss on discontinued operations	-	-	-	-
Net profit (loss)	**14 598 510**	**12 744 886**	**9 817 713**	**12 226 422**

NET EARNINGS PER SHARE

	PLN / share	PLN / share
Net profit (loss) on continued operations	12 744 886	12 226 422
Net profit (loss) on continued and discontinued operations	12 744 886	12 226 422
Weighted average number of shares	127 742 000	127 742 000
Weighted average diluted number of shares	140 516 200	134 129 100
from continued operations		
- basic	0,10	0,10
- diluted	0,09	0,09
from continued and discontinued operations		
- basic	0,10	0,10
- diluted	0,09	0,09

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

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2006

	as at 30.06.2006	as at 31.03.2006	as at 30.06.2005	as at 31.03.2005
Assets				
Fixed assets (long-term)	**216 248 409**	**220 173 239**	**186 145 359**	**180 971 522**
Intangible fixed assets	122 477 503	124 891 261	115 575 988	106 312 896
Goodwill	19 836 473	19 836 473	-	-
Tangible fixed assets	71 813 687	74 427 004	67 522 941	72 485 214
Investment real property	115 409	-	-	-
Investments in subsidiary companies	100 000	-	-	-
Long-term financial assets available for sale	-	-	-	-
Other long-term financial assets	-	61 885	-	-
Long-term receivables	1 507 359	560 359	555 759	189 159
Long-term prepayments	397 978	396 256	2 490 671	1 984 253
Deferred income tax assets	-	-	2 313 700	1 807 282
Other long-term prepayments	397 978	396 256	176 971	176 971
Current assets (short-term)	**360 300 977**	**345 524 358**	**223 227 818**	**189 620 081**
Invetories	179 939 911	161 811 950	115 507 743	104 503 996
Trade receivables	98 724 208	82 143 123	34 797 307	35 016 825
Current income tax receivables	-	-	-	-
Other short-term receivables	7 596 098	4 602 138	3 075 329	1 027 446
Short-term financial assets available for sale	-	-	-	-
Short-term financial assets held for trade	-	-	-	-
Other short-term financial assets	-	-	-	-
Cash and cash equivalents	70 723 889	92 773 886	68 393 284	47 157 454
Short-term prepayments	3 316 871	4 193 260	1 454 155	1 914 360
Fixed assets classified as held for sale	-	-	-	-
Total assets	**576 549 386**	**565 697 597**	**409 373 177**	**370 591 603**

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

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2006

	as at 30.06.2006	as at 31.03.2006	as at 30.06.2005	as at 31.03.2005
Liabilities				
Equity	**168 839 423**	**174 287 721**	**155 150 343**	**145 233 368**
Share capital	127 742 000	127 742 000	127 742 000	127 742 000
Supplementary capital	27 693 554	15 174 214	14 522 937	160 681
Retained earnings	13 403 869	31 371 508	12 885 406	17 330 687
Profit (loss) of prior years	658 983	33 225 132	658 983	14 921 977
Net profit (loss) of the current year	12 744 886	(1 853 624)	12 226 422	2 408 710
Liabilities	**407 709 963**	**391 409 875**	**254 222 834**	**225 358 234**
Long-term liabilities	**13 556 397**	**18 749 912**	**3 094 416**	**2 674 333**
Long-term loans and credits	-	-	-	-
Other long-term financial liabilities	3 653 715	4 068 760	3 094 416	2 674 333
Other long-term liabilities	7 499 997	12 499 995	-	-
Deferred income tax provision	2 045 932	1 440 668	-	-
Provision for employee benefits	356 753	420 373	-	-
Other long-term provisions	-	320 115	-	-
Short-term liabilities	**394 153 565**	**372 659 963**	**251 128 418**	**222 683 902**
Short-term loans and credits	54 804 550	44 878 555	-	-
Other short-term financial liabilities	1 668 008	1 741 962	1 349 125	1 634 199
Trade liabilities	300 635 527	257 869 929	224 492 416	204 232 686
Current income tax liabilities	403 339	9 283	396 220	(132 863)
Other short-term liabilities	26 161 188	57 199 074	12 111 539	7 343 172
Short-term provisions	10 480 953	10 961 160	12 779 119	9 606 707
Liabilities due to fixed assets held for sale	-	-	-	-
Total liabilities	**576 549 386**	**565 697 597**	**409 373 177**	**370 591 603**

BOOK VALUE PER SHARE AS AT 30 JUNE 2006

	2nd Quarter as at 30.06.2006	1st Quarter as at 31.03.2006	2nd Quarter as at 30.06.2005	1st Quarter as at 31.03.2005
Book value	**168 839 423**	**174 287 721**	**155 150 343**	**145 233 368**
Number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Diluted number of shares	140 516 200	140 516 200	134 129 100	134 129 100
Book value per share	**1,32**		**1,21**	
Diluted book value per share	**1,20**		**1,16**	

OFF BALANCE SHEET ITEMS

Contingent Receivables	**-**	**-**	**-**	**-**
Related companies	-	-	-	-
Other companies	-	-	-	-
Contingent Liabilities	**6 969 917**	**7 161 579**	**8 647 954**	**8 650 105**
Related companies	-	-	-	-
Other companies	6 969 917	7 161 579	8 647 954	8 650 105
- guaranties and sureties granted	6 969 917	7 161 579	8 647 954	8 650 105
Other	-	-	-	-
Total	**6 969 917**	**7 161 579**	**8 647 954**	**8 650 105**

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

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

	2nd Quarter for the period from 01.04.2006 to 30.06.2006	2 Quarters for the period from 01.01.2006 to 30.06.2006	2nd Quarter for the period from 01.04.2005 to 30.06.2005	2 Quarters for the period from 01.01.2005 to 30.06.2005
Operating cash flow				
Net profit before tax	**17 616 252**	**16 433 604**	**11 588 006**	**15 634 475**
Adjustments:	**8 892 643**	**15 101 577**	**6 224 985**	**13 373 208**
Depreciation	7 527 916	14 185 110	6 138 129	12 261 026
Impairment allowance on tangible fixed assets	-	-	-	-
(Profit) loss on sold tangible fixed assets	987 397	1 010 099	226 930	228 911
(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	713 031	828 889	252 661	1 572 608
Interest received	(335 701)	(922 520)	(392 735)	(689 337)
Operating cash before changes in working capital	**26 508 895**	**31 535 180**	**17 812 991**	**29 007 683**
Changes in inventory	(18 127 961)	(18 366 444)	(11 003 747)	(3 226 981)
Changes in receivables	(19 272 374)	(12 482 557)	(2 194 966)	2 947 250
Changes in liabilities	49 517 183	29 330 964	25 557 180	27 123 246
Changes in provisions and accruals	1 905 711	2 790 476	2 828 697	130 249
Other adjustments	(1 999 013)	(952 075)	(371 857)	1 001 374
Operating cash	**38 532 440**	**31 855 544**	**32 628 298**	**56 982 822**
Interest paid	(160 448)	(1 568 815)	(309 444)	(1 203 552)
Income tax paid	(2 456 361)	(7 047 947)	(331 568)	(2 377 320)
Net operating cash	**35 915 631**	**23 238 783**	**31 987 286**	**53 401 950**
Investment cash flow				
Expenditures for purchased intangible fixed assets	(84 019)	(205 022)	(6 477 439)	(11 405 162)
Receipts from sold intangible fixed assets	-	-	-	-
Expenditures for purchased tangible fixed assets	(4 298 838)	(6 688 742)	(4 242 682)	(7 444 574)
Receipts from sold tangible fixed assets	1 366 909	1 602 748	5 900	5 900
Expenditures for purchased subsidiary companies	(43 613 019)	(34 908 290)	-	-
Interest received	335 701	922 520	392 735	689 337
Net investment cash	**(46 293 266)**	**(39 276 784)**	**(10 321 487)**	**(18 154 500)**
Financing cash flow				
Receipts due to taking loans and credits	9 925 995	9 925 995	-	-
Repaid loans and credits	-	-	-	-
Repaid liabilities under financial lease	(448 208)	(951 499)	(354 421)	(619 451)
Interest	(711 429)	(818 650)	(75 549)	(149 623)
Dividends paid	(20 438 720)	(20 438 720)	-	-
Net financing cash	**(11 672 362)**	**(12 282 874)**	**(429 970)**	**(769 074)**
Net change in cash and cash equivalents	**(22 049 997)**	**(28 320 875)**	**21 235 830**	**34 478 376**
Cash and cash equivalents at the beginning of the period	92 773 886	99 044 764	47 157 454	33 914 908
Cash and cash equivalents at the end of the period	**70 723 889**	**70 723 889**	**68 393 284**	**68 393 284**

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

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

	Share capital	Supplementary capital	Retained earnings	**Total**
Balance as at 1 January 2005	**127 742 000**	**579**	**14 262 994**	**142 005 573**
Changes in the principles (policy) of accounting	-	-	658 983	658 983
Balance upon changes	**127 742 000**	**579**	**14 921 977**	**142 664 556**
Changes in equity in the period from 1 January to 30 June 2005				
Net profit for the period from 1 January to 30 June 2005	-	14 262 994	(2 036 572)	**12 226 422**
Total profit and loss recorded in the period from 1 January to 30 June 2005	**-**	**14 262 994**	**(2 036 572)**	12 226 422
Dividends	-	-	-	**-**
Issued options convertible into shares	-	259 365	-	**259 365**
Balance as at 30 June 2005	**127 742 000**	**14 522 937**	**12 885 406**	**155 150 343**
Balance as at 1 April 2005	**127 742 000**	**160 681**	**17 330 687**	**145 233 368**
Changes in the principles (policy) of accounting	-	-	-	-
Balance upon changes	**127 742 000**	**160 681**	**17 330 687**	**145 233 368**
Changes in equity in the period from 1 April to 30 June 2005				
Net profit for the period from 1 April to 30 June 2005	-	14 262 994	(4 445 281)	**9 817 713**
Total profit and loss recorded in the period from 1 April to 30 June 2005	**-**	**14 262 994**	**(4 445 281)**	**9 817 713**
Dividends	-	-	-	**-**
Issued options convertible into shares	-	99 262	-	**99 262**
Balance as at 30 June 2005	**127 742 000**	**14 522 937**	**12 885 406**	**155 150 343**
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 30 June 2006				
Net profit for the period from 1 January to 30 June 2006	-	12 127 429	617 457	**12 744 886**
Total profit and loss recorded in the period from 1 January to 30 June 2006	-	12 127 429	617 457	**12 744 886**
Dividends	-	-	(20 438 720)	**(20 438 720)**
Issued options convertible into shares	-	783 823	-	**783 823**
Balance as at 30 June 2006	**127 742 000**	**27 693 554**	**13 403 869**	**168 839 423**
Balance as at 1 April 2006	**127 742 000**	**15 174 214**	**31 371 508**	**174 287 721**
Changes in the principles (policy) of accounting	-	-	-	**-**
Balance upon changes	**127 742 000**	**15 174 214**	**31 371 508**	**174 287 721**
Changes in equity in the period from 1 April to 30 June 2006				
Net profit for the period from 1 April to 30 June 2006	-	12 127 429	2 471 081	**14 598 510**
Total profit and loss recorded in the period from 1 April to 30 June 2006	-	12 127 429	2 471 081	**14 598 510**
Dividends	-	-	(20 438 720)	**(20 438 720)**
Issued options convertible into shares	-	391 912	-	**391 912**
Balance as at 30 June 2006	**127 742 000**	**27 693 554**	**13 403 869**	**168 839 423**

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

SELECTED UNIT FINANCIAL DATA

SELECTED SEPARATE FIGURES AS AT 30 JUNE 2006

	for the period 01.01.2006 to 30.06.2006 PLN	for the period 01.01.2005 to 30.06.2005 PLN	for the period 01.01.2006 to 30.06.2006 EUR	for the period 01.01.2005 to 30.06.2005 EUR
Net sales	872 266 705	802 395 571	223 646 660	196 641 483
Operating profit (loss)	14 397 554	17 112 590	3 691 491	4 193 748
Profit (loss) before tax	14 607 943	15 634 475	3 745 434	3 831 510
Net Profit (loss) on continued operations	11 253 676	12 226 422	2 885 410	2 996 305
Net profit (loss)	11 253 676	12 226 422	2 885 410	2 996 305
Net operating cash flow	33 659 827	53 401 950	8 630 282	13 087 109
Net investment cash flow	(48 771 539)	(18 154 500)	(12 504 881)	(4 449 087)
Net financial cash flow	(21 589 393)	(769 074)	(5 535 458)	(188 475)
Net change in cash and cash equivalents	(36 701 104)	34 478 376	(9 410 057)	8 449 547
Weighted average number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Weighted average diluted number of shares	140 516 200	134 129 100	140 516 200	134 129 100
EPS (in PLN / EUR)	0,09	0,10	0,02	0,02
Diluted EPS (in PLN / EUR)	0,08	0,09	0,02	0,02
Average PLN / EUR rate*			3,9002	4,0805
	as at 30.06.2006 PLN	as at 30.06.2005 PLN	as at 30.06.2006 EUR	as at 30.06.2005 EUR
Assets	476 457 314	409 373 177	117 835 810	101 327 486
Long-term liabilities	11 510 465	3 094 416	2 846 729	765 926
Short-term liabilities	297 598 636	251 128 418	73 601 087	62 158 961
Equity	167 348 213	155 150 343	41 387 994	38 402 600
Share capital	127 742 000	127 742 000	31 592 719	31 618 524
Number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Diluted number of shares	140 516 200	134 129 100	140 516 200	134 129 100
Book value per share (in PLN / EUR)	1,31	1,21	0,32	0,30
Diluted book value per share (in PLN / EUR)	1,19	1,16	0,29	0,29
Declared or paid dividend (in PLN / EUR)	-	-	-	-
Declared or paid dividend per share (in PLN / EUR)	-	-	-	-
PLN / EUR rate at the end of the period**			4,0434	4,0401

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

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

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

ABBREVIATED UNIT FINANCIAL STATEMENTS

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

	2nd Quarter for the period from 01.04.2006 to 30.06.2006	2 Quarters for the period from 01.01.2006 to 30.06.2006	2nd Quarter for the period from 01.04.2005 to 30.06.2005	2 Quarters for the period from 01.01.2005 to 30.06.2005
Continued operations				
Net sales	**476 293 548**	**872 266 705**	**422 849 666**	**802 395 571**
Net sales of traded goods	460 648 894	848 774 770	412 830 642	781 721 825
Net sales of services	15 644 655	23 491 935	10 019 025	20 673 745
Net sales of materials	-	-	-	-
Prime costs of sales	**(411 099 855)**	**(760 632 465)**	**(364 406 123)**	**(695 403 446)**
Costs of sold traded goods	(411 099 855)	(760 632 465)	(364 406 123)	(695 403 446)
Costs of sold services	-	-	-	-
Costs of sold materials	-	-	-	-
Gross profit (loss) on sales	**65 193 693**	**111 634 240**	**58 443 543**	**106 992 124**
Costs of sales	(32 104 482)	(62 613 708)	(31 180 588)	(59 631 139)
Costs of general management	(16 226 248)	(32 791 766)	(14 564 680)	(27 548 079)
Profit (loss) on sales	**16 862 963**	**16 228 767**	**12 698 275**	**19 812 906**
Other operating revenues	1 776 185	2 824 168	738 438	1 239 841
Other operating costs	(2 810 420)	(4 655 381)	(1 813 352)	(3 940 157)
Share in profits of companies consolidated with the equity method	-	-	-	-
Costs of restructuring	-	-	-	-
Operating profit (loss)	**15 828 728**	**14 397 554**	**11 623 360**	**17 112 590**
Financial revenues	352 138	950 796	507 615	930 523
Financial costs	(390 274)	(740 406)	(542 968)	(2 408 639)
Other profit (loss) on investments	-	-	-	-
Profit (loss) before tax	**15 790 591**	**14 607 943**	**11 588 006**	**15 634 475**
Income tax	(2 683 291)	(3 354 268)	(1 770 294)	(3 408 053)
Net profit (loss) on continued operations	**13 107 300**	**11 253 676**	**9 817 713**	**12 226 422**
Discontinued operations				
Net loss on discontinued operations	-	-	-	-
Net profit (loss)	**13 107 300**	**11 253 676**	**9 817 713**	**12 226 422**

NET EARNINGS PER SHARE

	PLN / share	PLN / share
Net profit (loss) on continued operations	11 253 676	12 226 422
Net profit (loss) on continued and discontinued operations	11 253 676	12 226 422
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	0,09	0,10
- diluted	0,08	0,09
from continued and discontinued operations		
- basic	0,09	0,10
- diluted	0,08	0,09

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

SEPARATE BALANCE SHEET AS AT 30 JUNE 2006

	as at 30.06.2006	as at 31.03.2006	as at 30.06.2005	as at 31.03.2005
Assets				
Fixed assets (long-term)	**233 501 744**	**236 565 523**	**186 145 359**	**180 971 522**
Intangible fixed assets	106 145 338	108 541 630	115 575 988	106 312 896
Tangible fixed assets	63 642 715	64 805 825	67 522 941	72 485 214
Investment real property	-	-	-	-
Investments in subsidiary companies	61 113 012	61 013 012	-	-
Long-term financial assets available for sale	-	-	-	-
Other long-term financial assets	-	-	-	-
Long-term receivables	1 507 359	560 359	555 759	189 159
Long-term prepayments	1 093 319	1 644 697	2 490 671	1 984 253
Deferred income tax assets	695 341	1 248 441	2 313 700	1 807 282
Other long-term prepayments	397 978	396 256	176 971	176 971
Current assets (short-term)	**242 955 571**	**240 682 835**	**223 227 818**	**189 620 081**
Invetories	133 047 734	120 499 035	115 507 743	104 503 996
Trade receivables	42 813 721	30 028 588	34 797 307	35 016 825
Current income tax receivables	-	-	-	-
Other short-term receivables	2 297 535	2 773 264	3 075 329	1 027 446
Short-term financial assets available for sale	-	-	-	-
Short-term financial assets held for trade	-	-	-	-
Other short-term financial assets	-	-	-	-
Cash and cash equivalents	62 343 660	84 069 157	68 393 284	47 157 454
Short-term prepayments	2 452 919	3 312 791	1 454 155	1 914 360
Fixed assets classified as held for sale	-	-	-	-
Total assets	**476 457 314**	**477 248 358**	**409 373 177**	**370 591 603**

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

SEPARATE BALANCE SHEET AS AT 30 JUNE 2006

	as at 30.06.2006	as at 31.03.2006	as at 30.06.2005	as at 31.03.2005
Liabilities				
Equity	**167 348 213**	**174 287 721**	**155 150 343**	**145 233 368**
Share capital	127 742 000	127 742 000	127 742 000	127 742 000
Supplementary capital	27 693 554	15 174 214	14 522 937	160 681
Retained earnings	11 912 659	31 371 508	12 885 406	17 330 687
Profit (loss) of prior years	658 983	33 225 132	658 983	14 921 977
Net profit (loss) of the current year	11 253 676	(1 853 624)	12 226 422	2 408 710
Liabilities	**309 109 101**	**302 960 636**	**254 222 834**	**225 358 234**
Long-term liabilities	**11 510 465**	**16 925 508**	**3 094 416**	**2 674 333**
Long-term loans and credits	-	-	-	-
Other long-term financial liabilities	3 653 715	4 068 760	3 094 416	2 674 333
Other long-term liabilities	7 499 997	12 499 995	-	-
Deferred income tax provision	-	-	-	-
Provision for employee benefits	356 753	356 753	-	-
Other long-term provisions	-	-	-	-
Short-term liabilities	**297 598 636**	**286 035 128**	**251 128 418**	**222 683 902**
Short-term loans and credits	-	-	-	-
Other short-term financial liabilities	1 668 008	1 741 962	1 349 125	1 634 199
Trade liabilities	264 281 689	218 491 901	224 492 416	204 232 686
Current income tax liabilities	929 458	9 283	396 220	(132 863)
Other short-term liabilities	21 048 847	54 830 822	12 111 539	7 343 172
Short-term provisions	9 670 634	10 961 160	12 779 119	9 606 707
Liabilities due to fixed assets held for sale	-	-	-	-
Total liabilities	**476 457 314**	**477 248 358**	**409 373 177**	**370 591 603**

BOOK VALUE PER SHARE AS AT 30 JUNE 2006

	2nd Quarter as at 30.06.2006	1st Quarter as at 31.03.2006	2nd Quarter as at 30.06.2005	1st Quarter as at 31.03.2005
Book value	**167 348 213**	**174 287 721**	**155 150 343**	**145 233 368**
Number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Diluted number of shares	140 516 200	140 516 200	134 129 100	134 129 100
Book value per share	**1,31**		**1,21**	
Diluted book value per share	**1,19**		**1,16**	

OFF BALANCE SHEET ITEMS

Contingent Receivables	**-**	**-**	**-**	**-**
Related companies	-	-	-	-
Other companies	-	-	-	-
Contingent Liabilities	**6 969 917**	**7 161 579**	**8 647 954**	**8 650 105**
Related companies	-	-	-	-
Other companies	6 969 917	7 161 579	8 647 954	8 650 105
- guaranties and sureties granted	6 969 917	7 161 579	8 647 954	8 650 105
Other	-	-	-	-
Total	**6 969 917**	**7 161 579**	**8 647 954**	**8 650 105**

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

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

	2nd Quarter for the period from 01.04.2006 to 30.06.2006	2 Quarters for the period from 01.01.2006 to 30.06.2006	2nd Quarter for the period from 01.04.2005 to 30.06.2005	2 Quarters for the period from 01.01.2005 to 30.06.2005
Operating cash flow				
Net profit before tax	**15 790 591**	**14 607 943**	**11 588 006**	**15 634 475**
Adjustments:	**7 649 041**	**13 857 975**	**6 224 985**	**13 373 208**
Depreciation	6 903 790	13 560 984	6 138 129	12 261 026
(Profit) loss on sold tangible fixed assets	987 397	1 010 099	226 930	228 911
Costs of interest	93 555	209 413	252 661	1 572 608
Interest received	(335 701)	(922 520)	(392 735)	(689 337)
Operating cash before changes in working capital	**23 439 632**	**28 465 918**	**17 812 991**	**29 007 683**
Changes in inventory	(12 548 699)	(12 787 182)	(11 003 747)	(3 226 981)
Changes in receivables	(13 256 404)	(6 466 587)	(2 194 966)	2 947 250
Changes in liabilities	51 441 009	30 860 735	25 557 180	27 123 246
Changes in provisions and accruals	1 033 965	2 312 785	2 828 697	130 249
Other adjustments	(1 999 013)	(952 075)	(371 857)	1 001 374
Operating cash	**48 110 490**	**41 433 594**	**32 628 298**	**56 982 822**
Interest paid	(160 448)	(1 568 815)	(309 444)	(1 203 552)
Income tax paid	(1 613 366)	(6 204 952)	(331 568)	(2 377 320)
Net operating cash	**46 336 676**	**33 659 827**	**31 987 286**	**53 401 950**
Investment cash flow				
Expenditures for purchased intangible fixed assets	(84 019)	(205 022)	(6 477 439)	(11 405 162)
Receipts from sold intangible fixed assets	-	-	-	-
Expenditures for purchased tangible fixed assets	(3 742 960)	(6 132 864)	(4 242 682)	(7 444 574)
Receipts from sold tangible fixed assets	21 008	256 847	5 900	5 900
Expenditures for purchased subsidiary companies	(43 613 019)	(43 613 019)	-	-
Interest received	335 701	922 520	392 735	689 337
Dividends received	-	-	-	-
Net investment cash	**(47 083 291)**	**(48 771 539)**	**(10 321 487)**	**(18 154 500)**
Financing cash flow				
Receipts due to taking loans and credits	-	-	-	-
Repaid loans and credits	-	-	-	-
Repaid liabilities under financial lease	(448 208)	(951 499)	(354 421)	(619 451)
Interest	(91 953)	(199 174)	(75 549)	(149 623)
Dividends paid	(20 438 720)	(20 438 720)	-	-
Net financing cash	**(20 978 881)**	**(21 589 393)**	**(429 970)**	**(769 074)**
Net change in cash and cash equivalents	**(21 725 496)**	**(36 701 104)**	**21 235 830**	**34 478 376**
Cash and cash equivalents at the beginning of the period	84 069 157	99 044 764	47 157 454	33 914 908
Cash and cash equivalents at the end of the period	**62 343 660**	**62 343 660**	**68 393 284**	**68 393 284**

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

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

	Share capital	Supplementary capital	Retained earnings	Total
Balance as at 1 January 2005	**127 742 000**	**579**	**14 262 994**	**142 005 573**
Changes in the principles (policy) of accounting	-	-	658 983	658 983
Balance upon changes	**127 742 000**	**579**	**14 921 977**	**142 664 556**
Changes in equity in the period from 1 January to 30 June 2005				
Net profit for the period from 1 January to 30 June 2005	-	14 262 994	(2 036 572)	**12 226 422**
Total profit and loss recorded in the period from 1 January to 30 June 2005	**-**	**14 262 994**	**(2 036 572)**	**12 226 422**
Dividends	-	-	-	**-**
Issued options convertible into shares	-	259 365	-	**259 365**
Balance as at 30 June 2005	**127 742 000**	**14 522 937**	**12 885 406**	**155 150 343**
Balance as at 1 April 2005	**127 742 000**	**160 681**	**17 330 687**	**145 233 368**
Changes in the principles (policy) of accounting	-	-	-	-
Balance upon changes	**127 742 000**	**160 681**	**17 330 687**	**145 233 368**
Changes in equity in the period from 1 April to 30 June 2005				
Net profit for the period from 1 April to 30 June 2005	-	14 262 994	(4 445 281)	**9 817 713**
Total profit and loss recorded in the period from 1 April to 30 June 2005	**-**	**14 262 994**	**(4 445 281)**	**9 817 713**
Dividends	-	-	-	**-**
Issued options convertible into shares	-	99 262	-	**99 262**
Balance as at 30 June 2005	**127 742 000**	**14 522 937**	**12 885 406**	**155 150 343**
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 30 June 2006				
Net profit for the period from 1 January to 30 June 2006	-	12 127 429	(873 753)	**11 253 676**
Total profit and loss recorded in the period from 1 January to 30 June 2006	-	12 127 429	(873 753)	**11 253 676**
Dividends	-	-	(20 438 720)	**(20 438 720)**
Issued options convertible into shares	-	783 823	-	**783 823**
Balance as at 30 June 2006	**127 742 000**	**27 693 554**	**11 912 659**	**167 348 213**
Balance as at 1 April 2006	**127 742 000**	**15 174 214**	**31 371 508**	**174 287 721**
Changes in the principles (policy) of accounting	-	-	-	**-**
Balance upon changes	**127 742 000**	**15 174 214**	**31 371 508**	**174 287 721**
Changes in equity in the period from 1 April to 30 June 2006				
Net profit for the period from 1 April to 30 June 2006	-	12 127 429	979 871	**13 107 300**
Total profit and loss recorded in the period from 1 April to 30 June 2006	-	12 127 429	979 871	**13 107 300**
Dividends	-	-	(20 438 720)	**(20 438 720)**
Issued options convertible into shares	-	391 912	-	**391 912**
Balance as at 30 June 2006	**127 742 000**	**27 693 554**	**11 912 659**	**167 348 213**

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

1. GENERAL INFORMATION

1.1. DISCLOSURE OF THE ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the information given in the current report on 26th April 2006 to the Polish Securities and Exchange Commission, Eurocash S.A. discloses the consolidated quarterly report with the quarterly abbreviated consolidated financial statements on 14th August 2006.
Eurocash is a joint-stock company whose shares are publicly traded.

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

The consolidated financial statements were prepared in accordance with the IAS no 34 - Interim Financial Reporting.
Reporting currency of the consolidated financial statements is Polish zloty and all figures are rounded off to full zloty (unless indicated otherwise).

1.3. COMPARISON OF FINANCIAL STATEMENTS

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

1.4. INFORMATION ON THE PARENT ENTITY ANDTHE CAPITAL GROUP

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

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

The subsidiary entity is KDWT Spółka Akcyjna, registered in the District Court of Poznań, XXI Commercial Division of the National Court Register, entry no KRS 0000040385, located in Komorniki, Wiśniowa 11.

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

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

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

1. name of entity	Eurocash S.A.	KDWT S.A.
2. seat	Wiśniowa 11, 62-052 Komorniki	Wiśniowa 11, 62-052 Komorniki
3. core business	PKD 5190Z	PKD 5135Z
4. registry court	District Court of Poznań, XXI Commercial Division of the National Court Register KRS 0000213765	District Court of Poznań, XXI Commercial Division of the National Court Register KRS 0000040385
5. entity status	Parent entity	Subsidiary entity
6. applied consolidation method	Full	Full
7. date of taking over control	n/a	31.03.2006
8. Share in share capital (%)	n/a	100%
9. Share in total number of votes (%)	n/a	100%

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

1.5. ACTIVITY CONTINUATION

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

2. APPLIED ACCOUNTING RULES

2.1. ACCOUNTING RULES

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

2.2. FINANCIAL YEAR AND REPORTING PERIOD

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

2.3. MAINTAINANCE OF ACCOUNTING BOOKS

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

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

2.4. FORMAT AND CONTENTS OF THE ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

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

The abbreviated consolidated statements include in particular:

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

2.5. INTANGIBLE ASSETS

Definition

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

The Company's intangible assets include:

- Licenses on computer software,
- Economic copyrights,
- Rights to trademarks, utility and decoration models,
- Know-how,
- Perpetual 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.

2.27. OPERATIONS SEGMENTS – BUSINESS AND GEOGRAPHICAL

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

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

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

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

IRS no 14 presents the following definitions:

Business segment

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

Geographical segment

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

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

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

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

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

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

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

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

NOTE NO 1
BUSINESS COMBINATION

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

1. General information

Table no 1

GENERAL INFORMATION CONCERNING BUSINESS COMBINATION OF THE UNITS

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

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

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

3. Initial settlement of the business combination

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

4. The costs of the acquisition

Table no 2

ACQUISTION COST

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

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

Table no 3

NET ASSETS ACQUIRED

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

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

5. Goodwill

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

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

Table no 4

GOODWILL

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

6. Revenues and financial result of the consolidated business units

Within the period from the acquisition, i.e. 31 March 2006 until 30 June 2006 an amount of 1,838,331 PLN resulting from the profit generated by KDWT S.A. during that period of time is included in the consolidated net profit. Within the period from the day of the acquisition until the balance-sheet date an amount of 391,074,803 PLN of KDWT S.A. sales proceeds was included in the consolidated financial statements.

If the acquisition date in the case of the above-mentioned merger was the beginning of the reporting period, in such an event the proceeds of the merged entity for the particular period would equal 1,623,444,270 PLN and the financial result would be 12,967,104 PLN.

NOTE NO 2
SEGMENT REPORTING

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

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

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

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

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

Table no 5

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

	Traditional wholesale	Active distribution*	Other	Exclusions	Total
Sales	**872 266 705**	**426 243 024**	**-**	**-**	**1 258 976 120**
External sales	867 901 318	391 074 803	-	-	1 258 976 120
Inter-segmental sales	4 365 387	35 168 221	-	(39 533 609)	-
Segment result	**16 228 767**	**3 089 440**	**-**	**(611 852)**	**18 706 355**
Not allocated costs	-	-	-	-	-
Net loss on discontinued operations	-	-	-	-	-
Operating profit	**14 397 554**	**3 085 264**	**-**	**(611 852)**	**16 870 967**
Finance income	950 796	494	-	-	951 289
Finance costs	(740 406)	(648 246)	-	-	(1 388 652)
Share of profit on investments in associates	-	-	-	-	-
Profit before income tax	**14 607 943**	**2 437 512**	**-**	**(611 852)**	**16 433 604**
Income tax	(3 354 268)	(429 301)	-	94 851	(3 688 718)
Minority interest	-	-	-	-	-
Net profit	**11 253 676**	**2 008 211**	**-**	**(517 001)**	**12 744 886**
Total assets	**476 457 314**	**145 055 441**	**-**	**(44 963 369)**	**576 549 386**
Total liabilities	**476 457 314**	**145 055 441**	**-**	**(44 963 369)**	**576 549 386**
Investment expenditures	**6 337 886**	**555 877**	**-**	**-**	**6 893 763**
Depreciation and amortisation	13 560 984	624 126	-	-	14 185 110

* - due to KDWT acquisition date, includes Q2 results only

NOTE NO 3
RELATED PARTY TRANSACTIONS

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

NOTE NO 4
IMPORTANT EVENTS BEFORE THE BALANCE-SHEET DATE

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

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

The Ordinary Shareholders' Meeting of Eurocash S.A.

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

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

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

Payment of dividend for 2005

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

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

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

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

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

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

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

Due to the fact that not all of the conditions of conclusion of the above-mentioned conditional agreements have been met, the transactions of the acquisition of organized parts of an enterprise of Carment S.A. have not been concluded until the balance sheet date, as well as the control hasn't been taken over the above-mentioned organized parts of the enterprise of Carment S.A. and they are not consolidated. The Management Board of Eurocash S.A. expects either the fulfillment or the waiver of the remaining conditions precedent of the agreement by the parties in the near future.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
Management Board Member Chief Executive Officer	Rui Amaral	14th August 2006	
Management Board Member Financial Executive Officer	Arnaldo Guerreiro	14th August 2006	