



**EUROCASH S.A.**

**SEMI-ANNUAL REPORT 2006**

**TRANSLATORS' EXPLANATORY NOTE**

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

KOMORNIKI, 27<sup>th</sup> September 2006

# **INDEPENDENT AUDITOR'S OPINION FOR PERIOD FROM 1 JANUARY TO 30 JUNE OF 2006 YEAR.**

For the Shareholders of Eurocash Spółka Akcyjna

We have audited the accompanying financial statements of Eurocash Spółka Akcyjna (the Company) with its registered office in Komorniki, ul. Wiśniowa 11, prepared in accordance with the International Accounting Standards/International Financial Reporting Standards, comprising the following:

- the introduction to the financial statements,
- balance sheet as at June 30, 2006, with total assets of PLN 476 457 314 (in words: forty seven six million four hundred fifty seven thousand three hundred fourteen),
- profit and loss account for the period from January 1, 2006 to June 30, 2006, with a net profit of PLN 11 253 676 (in words: eleven million two hundred fifty three thousand six hundred seventy six),
- statement of changes in equity, with a net increase in equity for the period from January 1, 2006 to June 30, 2005 of PLN 8 401 221 (in words: eight million four hundred one thousand two hundred twenty one),
- cash flow statement with a net cash inflow for the period from January 1, 2006 to June 30, 2006 of PLN 36 701 104 (in words: thirty six million seven hundred one thousand one hundred four),
- additional notes and explanations.

The Management Board of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the adopted accounting policy. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Our responsibility was to audit the accompanying financial statements and express an opinion whether, based on our audit, these financial statements are, in all material respects, true and fair and whether the accounting records that form the basis for their preparation are, in all material respects properly maintained.

We conducted our audit of the accompanying financial statements in accordance with:

- provisions of Chapter 7 of the Accounting Act of 29 September 1994 (uniform text: Journal of Laws of 2002, No. 76, item 694, with further amendments) (the Accounting Act),
- the auditing standards issued by the National Chamber of Statutory Auditors.

We conducted our review in accordance with Standards indicated above. These Standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The Company's Management Board prepared the financial statement for the period from 1 January 2006 to 30 June 2006 according to the accounting policy compliant with International Financial Reporting Standards (IFRS).

To the best of The Management Board's knowledge, the financial statement is prepared according to IFRS.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statement is not presented fairly, in all material respects in accordance with International Financial Reporting Standards (IFRS).

The presented financial statement is unit statement. It should not to be only one basis of financial and property assessment of Company, which is dominant unit in Eurocash Capital Group. The Company prepares unit statement besides consolidated financial statement for Capital Group. According to the information included in the current report about terms of passing periodic reports in 2006 year, the Company publish consolidated financial statements in October 31, 2006 year.

Prezentowane sprawozdanie finansowe jest sprawozdaniem jednostkowym. Nie może być ono jedyną podstawą oceny sytuacji finansowej i majątkowej Spółki, która jest Jednostką

Jan Letkiewicz

Cecylia Pol

Statutory Auditor  
No. 9530/7106

President of the Management Board  
HLB Frąckowiak i Wspólnicy Spółka z o.o.,  
Poznań, pl. Wiosny Ludów 2,  
Registered to audit financial statements by National Chamber  
of Statutory Auditors; reg. No. 238.  
Statutory Auditor No. 5282/782

Poznań, September 27, 2006.

**EUROCASH S. A.**

**SEPARATE FINANCIAL STATEMENTS**  
FOR THE PERIOD FROM 1 JANUARY 2005 TO 30 JUNE 2006

KOMORNIKI, 27<sup>th</sup> SEPTEMBER 2006

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	<i>1 January – 30 June 2005</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of rounding:	<i>all amounts are denominated in Polish zlotys (unless provided otherwise)</i>		

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<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	<i>1 January – 30 June 2005</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of rounding:	<i>all amounts are denominated in Polish zlotys (unless provided otherwise)</i>		

## GENERAL INFORMATION

### 1. PARTICULARS OF THE COMPANY

#### 1.1. NAME

EUROCASH Spółka Akcyjna [*joint-stock company*]

#### 1.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

#### 1.3. CORE BUSINESS

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

#### 1.4. REGISTRY AUTHORITY

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

#### 1.5. LIFETIME OF THE COMPANY

Unlimited

#### 1.6. REPORTING PERIOD

Reporting period from 1 January 2006 to 30 June 2006 and a comparative period from 1 January 2006 to 30 June 2006

### 2. AUTHORITIES OF THE COMPANY

#### 2.1. MANAGEMENT BOARD

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

#### 2.2. SUPERVISORY BOARD

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

#### 2.3. CHANGES TO MEMBERSHIP IN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

On 6th March 2006 the resignation from the position of a member of the Supervisory Board submitted on 19<sup>th</sup> January 2006 by Geoffrey Francis Eric Crossley became effective. On the same day, Mr António José Santos Silva Casanova was appointed by Politra B.V. as a member of the Supervisory Board, on the basis of the right of the company to exercise the right of personal appointment of the members of the Supervisory Board.

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	<i>1 January – 30 June 2005</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of rounding:	<i>all amounts are denominated in Polish zlotys (unless provided otherwise)</i>		

On 30th June 2006 the appointment of Mr. Roman Stefan Piątkiewicz to the Eurocash Management Board came into effect.

<b>Separate financial statements of EUROCASH S.A.</b>			
<b>Reporting period:</b>	<b>1 January – 30 June 2005</b>	<b>Reporting currency:</b>	<b>Polish zloty (PLN)</b>
<b>Level of rounding:</b>	<b>all amounts are denominated in Polish zlotys (unless provided otherwise)</b>		

## SELECTED FIGURES

### SELECTED FIGURES AS AT 30 JUNE 2006

	for the period from 01.01.2006 to 30.06.2006 PLN	for the period from 01.01.2005 to 30.06.2005 PLN	for the period from 01.01.2006 to 30.06.2006 EUR	for the period from 01.01.2005 to 30.06.2005 EUR
Net 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	34 582 347	54 091 286	8 866 814	13 256 044
Net investment cash flow	(49 694 059)	(18 843 836)	(12 741 413)	(4 618 021)
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	134 544 100	134 129 100	134 544 100	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 31.12.2005 PLN	as at 30.06.2006 EUR	as at 31.12.2005 EUR
Assets	476 457 314	441 941 757	117 835 810	109 388 816
Long-term liabilities	11 510 465	4 670 131	2 846 729	1 155 944
Short-term liabilities	297 598 636	261 522 192	73 601 087	64 731 614
Equity	167 348 213	175 749 434	41 387 994	43 501 258
Share capital	127 742 000	127 742 000	31 592 719	31 618 524
Number of shares	127 742 000	127 742 000	127 742 000	127 742 000
Book value per share (in PLN / EUR)	1,31	1,38	0,32	0,34
Diluted book value per share (in PLN / EUR)	1,24	1,31	0,31	0,32
Declared or paid dividend per share (in PLN / EUR)	-	-	-	-
PLN / EUR rate at the end of the period**			4,0434	4,0401

\* - Profit and loss items were converted at a rate being an arithmetic average of mid-rates announced by the National Bank of Poland, applicable on the last day of each month.

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



<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

## FINANCIAL STATEMENTS

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

	Note	for the period from 01.01.2006 to 30.06.2006	for the period from 01.01.2005 to 30.06.2005
<i>Continued operations</i>			
<b>Net sales</b>	26	<b>872 266 705</b>	<b>802 395 571</b>
Net sales of traded goods		848 774 770	781 721 825
Net sales of services		23 491 935	20 673 745
Net sales of materials		-	-
<b>Prime costs of sales</b>		<b>(760 632 465)</b>	<b>(695 403 446)</b>
Costs of sold traded goods		(760 632 465)	(695 403 446)
Costs of sold services		-	-
Costs of sold materials		-	-
<b>Gross profit (loss) on sales</b>		<b>111 634 240</b>	<b>106 992 124</b>
Costs of sales	27	(62 613 708)	(59 631 139)
Costs of general management	27	(32 791 766)	(27 548 079)
<b>Profit (loss) on sales</b>		<b>16 228 767</b>	<b>19 812 906</b>
Other operating revenues	28	2 824 168	1 239 841
Other operating costs	28	(4 655 381)	(3 940 157)
Share in profits of companies consolidated with the equity method		-	-
Costs of restructuring		-	-
<b>Operating profit (loss)</b>		<b>14 397 554</b>	<b>17 112 590</b>
Financial revenues	29	950 796	930 523
Financial costs	29	(740 406)	(2 408 639)
Other profit (loss) on investments		-	-
<b>Profit (loss) before tax</b>		<b>14 607 943</b>	<b>15 634 475</b>
Income tax	23	(3 354 268)	(3 408 053)
<b>Net profit (loss) on continued operations</b>		<b>11 253 676</b>	<b>12 226 422</b>
<i>Discontinued operations</i>			
Net loss on discontinued operations		-	-
<b>Net profit (loss)</b>		<b>11 253 676</b>	<b>12 226 422</b>

### NET EARNINGS PER SHARE

	Nota	PLN / akcję	PLN / akcję
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		134 544 100	134 129 100
<i>from continued operations</i>			
- basic	30	0,09	0,10
- diluted	30	0,08	0,09
<i>from continued and discontinued operations</i>			
- basic	30	0,09	0,10
- diluted	30	0,08	0,09

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	<i>1 January – 30 June 2005</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of rounding:	<i>all amounts are denominated in Polish zlotys (unless provided otherwise)</i>		

#### SELECTED FIGURES AS AT 30 JUNE 2006

	Note	as at 30.06.2006	as at 31.12.2005
<i>Assets</i>			
<b>Fixed assets (long-term)</b>		<b>233 501 744</b>	<b>180 607 408</b>
Intangible fixed assets	2	106 145 338	110 819 059
Tangible fixed assets	3	63 642 715	67 732 878
Investment real property	5	-	-
Investments in associated companies consolidated with the equity method	6	61 113 012	-
Long-term financial assets available for sale		-	-
Other long-term financial assets		-	-
Other long-term financial assets	9	1 507 359	555 759
Long-term prepayments		1 093 319	1 499 712
Deferred income tax assets	25	695 341	1 103 455
Other long-term prepayments	24	397 978	396 256
<b>Current assets (short-term)</b>		<b>242 955 571</b>	<b>261 334 348</b>
Stocks	10	133 047 734	120 260 552
Trade receivables	12	42 813 721	36 889 803
Current income tax receivables	12	-	-
Other short-term receivables	12	2 297 535	2 706 467
Short-term financial assets available for sale		-	-
Short-term financial assets held for trade		-	-
Other short-term financial assets		-	-
Cash and cash equivalents		62 343 660	99 044 764
Short-term prepayments	13	2 452 919	2 432 762
Fixed assets classified as held for sale		-	-
<b>Total assets</b>		<b>476 457 314</b>	<b>441 941 757</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

**BALANCE SHEET AS AT 30 JUNE 2006 (continued)**

	Note	as at 30.06.2006	as at 31.12.2005
<i>Liabilities</i>			
<b>Equity</b>		<b>167 348 213</b>	<b>175 749 434</b>
Share capital	14	127 742 000	127 742 000
Supplementary capital	15	27 693 554	14 782 302
Treasury shares/equities		-	-
Capital reserve		-	-
Hedge transactions valuation capital		-	-
Fixed assets held for sale recognised in equity		-	-
Retained earnings		11 912 659	33 225 132
Profit (loss) of prior years		658 983	658 983
Net profit (loss) of the current year		11 253 676	32 566 149
<b>Liabilities</b>		<b>309 109 101</b>	<b>266 192 323</b>
<b>Long-term liabilities</b>		<b>11 510 465</b>	<b>4 670 131</b>
Long-term loans and credits		-	-
Other long-term financial liabilities	21	3 653 715	4 313 378
Other long-term liabilities		7 499 997	-
Deferred income tax provision	24	-	-
Provision for employee benefits		356 753	356 753
Other long-term provisions	17	-	-
<b>Short-term liabilities</b>		<b>297 598 636</b>	<b>261 522 192</b>
Short-term loans and credits		-	-
Other short-term financial liabilities	20	1 668 008	1 743 252
Trade liabilities	18	264 281 689	236 854 087
Current income tax liabilities	18	929 458	4 188 247
Other short-term liabilities	18	21 048 847	8 141 837
Short-term provisions	17	9 670 634	10 594 769
Liabilities due to fixed assets held for sale		-	-
<b>Total liabilities</b>		<b>476 457 314</b>	<b>441 941 757</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

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

	for the period from 01.01.2006 to 30.06.2006	for the period from 01.01.2005 to 30.06.2005
	Note	
<i>Operating cash flow</i>		
<b>Net profit before tax</b>	<b>14 607 943</b>	<b>15 634 475</b>
<b>Adjustments:</b>	<b>14 780 495</b>	<b>14 062 544</b>
Depreciation	13 560 984	12 261 026
Impairment allowance on tangible fixed assets	-	-
(Profit) loss on sold tangible fixed assets	1 010 099	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	209 413	1 572 608
Interest received	-	-
<b>Operating cash before changes in working capital</b>	<b>29 388 438</b>	<b>29 697 020</b>
Changes in stocks	(12 787 182)	(3 226 981)
Changes in receivables	(6 466 587)	2 947 250
Changes in liabilities	30 860 735	27 123 246
Changes in provisions and accruals	2 312 785	130 249
Other adjustments	(952 075)	1 001 374
<b>Operating cash</b>	<b>42 356 114</b>	<b>57 672 158</b>
Interest paid	(1 568 815)	(1 203 552)
Income tax paid	(6 204 952)	(2 377 320)
<b>Net operating cash</b>	<b>34 582 347</b>	<b>54 091 286</b>
<i>Investment cash flow</i>		
Expenditures for purchased intangible fixed assets	(205 022)	(11 405 162)
Receipts from sold intangible fixed assets	-	-
Expenditures for purchased tangible fixed assets	(6 132 864)	(7 444 574)
Receipts from sold tangible fixed assets	256 847	5 900
Expenditures for purchased subsidiaries (less for cash taken)	(43 613 019)	-
Interest received	-	-
Dividends received	-	-
<b>Net investment cash</b>	<b>(49 694 059)</b>	<b>(18 843 836)</b>
<i>Financing cash flow</i>		
Receipts due to taking loans and credits	(951 499)	(619 451)
Interest	(199 174)	(149 623)
Paid dividends	(20 438 720)	-
<b>Net financing cash</b>	<b>(21 589 393)</b>	<b>(769 074)</b>
<b>Net change in cash and cash equivalents</b>	<b>(36 701 104)</b>	<b>34 478 376</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>99 044 764</b>	<b>33 914 908</b>
Change due to exchange gains (loss)	-	-
<b>Cash and cash equivalents at the end of the period</b>	<b>62 343 660</b>	<b>68 393 284</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

#### STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2005

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

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

	Note	Share capital	Supplementary capital	Retained earnings	Total
<b>Balance as at 1 January 2005</b>		<b>127 742 000</b>	<b>14 782 302</b>	<b>33 225 132</b>	<b>175 749 434</b>
Changes in the principles (policy) of accounting		-	-	-	-
<b>Balance upon changes</b>		<b>127 742 000</b>	<b>14 782 302</b>	<b>33 225 132</b>	<b>175 749 434</b>
<i>Changes in equity in the period from 1 January to 30 June 2006</i>					
Revaluation profit (loss)		-	-	-	-
Investments available for sale		-	-	-	-
- valuation profit recognised in equity		-	-	-	-
- transferred to profit (loss) on sale		-	-	-	-
Cash flow hedging instruments:		-	-	-	-
- profit (loss) recognised in equity		-	-	-	-
- profit (loss) transferred to the financial result of the period		-	-	-	-
- profit (loss) accounted for in balance sheet valuation of hedged items		-	-	-	-
Exchange gains (loss) on valuation of companies operating abroad		-	-	-	-
Tax connected with items recognised in equity or transferred from equity		-	-	-	-
<b>Net profit presented directly in equity</b>		-	-	-	-
Net profit for the period from 1 January to 30 June 2006		-	12 127 429	(873 753)	11 253 676
<b>Total profit and loss recorded in the period from 1 January to 30 June 2006</b>		-	<b>12 127 429</b>	<b>(873 753)</b>	<b>11 253 676</b>
Dividends		-	-	(20 438 720)	(20 438 720)
Issued options convertible into shares		-	783 823	-	783 823
<b>Balance as at 30 June 2006</b>		<b>127 742 000</b>	<b>27 693 554</b>	<b>11 912 659</b>	<b>167 348 213</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	<i>1 January – 30 June 2005</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of rounding:	<i>all amounts are denominated in Polish zlotys (unless provided otherwise)</i>		

## **ADDITIONAL INFORMATION TO SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2005 TO 30 JUNE 2006**

### **1. GENERAL INFORMATION**

#### **1.1. FINANCIAL STATEMENTS PUBLICATION**

Separate financial statements of Eurocash S.A. for the period from 1 January 2006 to 30 June 2006 were approved for publication by resolution of the Management Board of 27 September 2006.

In accordance with the information given in the current report on 26<sup>th</sup> 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 31<sup>st</sup> October 2006. Eurocash is a joint-stock company whose shares are publicly traded.

#### **1.2. STATEMENT OF COMPLIANCE**

As at 1<sup>st</sup> January 2005 the Company decided to prepare the financial statements in accordance with International Accounting Standards, International Financial Reporting Standards and related to these interpretations announced in the form of orders of the European Commission, especially in accordance with International Accounting Standard no 34.

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

Separate financial statements of EUROCASH S.A. were prepared in accordance with the International Financial Reporting Standards.

The reporting currency of these separate financial statements is Polish zloty and any amounts are rounder-off to full Polish zloty (unless provided otherwise).

#### **1.4. COMPARABILITY OF FINANCIAL STATEMENTS**

The accounting principles as well as calculation methods applied in the preparation of the financial statements remained unchanged in comparison to the ones applied in the last annual financial statements.

Data for comparable periods contained in the financial statements, was restated in relation to the previously disclosed financial data. Specific report with details was presented in note no 39.

#### **1.5. INFORMATION ABOUT THE PARENT ENTITY AND THE CAPITAL GROUP**

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

The dominant entity is Eurocash Spółka Akcyjna, registered in the District Court in Poznań, XXI Commercial Division of the National Court Register, entry no KRS 00000213765, with its registered seat in Komorniki at Wiśniowa 11.

The core business of the Company is other wholesale (PKD 5190 Z).

Eurocash S.A. shares are listed on the Warsaw Stock Exchange.

The subsidiary company is KDWT Spółka Akcyjna, registered in the District Court in Poznań, XXI Commercial Division of the National Court Register, entry no KRS 0000040385, with its registered seat in Komorniki at Wiśniowa 11

#### **1.6. GOING CONCERN BASIS**

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The financial statements were prepared on a going concern basis – there are no circumstances indicating any threat to the going concern of the Company.

## **2. APPLIED PRINCIPLES OF ACCOUNTING**

### **2.1. PRINCIPLES OF ACCOUNTING**

The financial statements are prepared in accordance with the historical cost concept, except for valuation of some fixed assets and financial assets which, in accordance with IFRS, are valued at fair value.

The key principles of accounting applied by the Company are presented under items 2.2 – 2.25.

### **2.2. FINANCIAL YEAR AND REPORTING PERIOD**

The financial year of Eurocash S.A. is a calendar year.

The reporting period is a month.

### **2.3. BOOKKEEPING**

Books of accounts are kept in the Polish language and in the Polish currency.

The books of accounts are kept in the registered office of the Company, located at ul. Wiśniowa 11 in Komorniki.

### **2.4. FORMAT AND CONTENTS OF THE FINANCIAL STATEMENTS**

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

The financial statements comprise in particular:

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

### **2.5. INTANGIBLE FIXED ASSETS**

#### **Definition**

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

Intangible fixed assets of the Company comprise:

- Licences for computer software,
- Copyrights,
- Rights to trade marks, utility and ornamental designs,
- Know-how,
- Other intangible fixed assets.

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### **Initial value of intangible fixed assets**

The initial value of intangible fixed assets is an acquisition price covering the amount due to the seller and other costs paid in direct connection with acquisition of intangible fixed assets.

### **Amortisation**

Time during which intangible fixed assets will generate measurable economic benefits is taken into account while determining the useful life. If it is difficult to define an economically justified useful life or when there is no certainty as to expected measurable benefits, an intangible fixed asset should be charged to costs in its entirety, in accordance with the principle of prudence.

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

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

Since the useful life of the “Eurocash” and “ABC” trade marks is difficult to define / undefined, they are not amortised but are subject to a periodic impairment test conducted with such frequency as to ensure no material discrepancies between the book value and fair value as at the balance sheet day. The “Eurocash” and “ABC” trade marks are subject to an annual impairment test.

Intangible fixed assets are amortised with a straight-line method, from a month following their acceptance for use. The amortisation is accrued monthly.

Intangible fixed assets of a unit value below PLN 1,200 are charged directly to costs at the moment of their handing over for use.

### **Verification of amortisation rates, impairment loss**

Not later than at the end of a financial year amortisation rates applied to intangible fixed assets are verified. If it is found out that the applied amortisation rates need adjustment – such adjustment is made in the next year and following financial years. Intangible fixed assets of indefinite useful life are subject to annual verification in the case of any circumstances indicating their impairment.

Not later than at the end of a financial year, intangible fixed assets are also verified as to their impairment and the need to make an impairment loss. An impairment loss is charged to other operating costs not later than on the balance sheet day, i.e. in the year of impairment occurrence.

### **Valuation of intangible fixed assets as at the balance sheet day**

As at the end of a financial year (being the balance sheet day) intangible fixed assets should be valued at an acquisition price less amortisation charges and impairment losses.

## **2.6. TANGIBLE FIXED ASSETS**

### **Definition**

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



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Tangible fixed assets of the Company comprise:

- Land,
- Perpetual usufruct right,
- Buildings and structures,
- Technical machinery and equipment,
- Means of transport,
- Other fixed assets (furniture, etc.),
- Constructions in progress,
- Advances for constructions in progress.

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

The initial value of fixed assets is an acquisition price i.e. the price of purchase of an asset, covering the amount due to the seller (excluding deductible VAT and excise tax).

In the case of import, an acquisition price includes also public and legal charges.

An acquisition price covers also costs directly connected with purchase and adaptation of an asset to a condition enabling its use or marketing, including costs of transport, loading, unloading, warehousing or marketing, less rebates, discounts and other similar reductions and recoveries.

If it is not possible to determine the acquisition price of an asset, in particular accepted free of charge, also as a gift, such asset is valued at the sales price of the same or similar object, i.e. at fair value.

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

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

#### **Fixed asset improvements**

Initial value of a given fixed asset is increased by costs of its improvement, i.e. reconstruction, expansion, modernisation or adaptation – provided that improvement expenditures result in a growth of useful value of the asset, compared to the value as at the day of asset acceptance for use. Increase in the useful value may result from extended useful life, increased manufacturing capacity, improved quality of products manufactured with the given asset or reduced exploitation cost of such asset.

Any costs (e.g. periodic overhaul), connected with maintenance of a given fixed asset and not resulting in increasing its useful value, do not increase the initial value of such asset. The Company takes decision on increasing the value of a fixed asset based on the criterion of materiality.

#### **Depreciation**

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All fixed assets, excluding land and constructions in progress, are depreciated for an estimated economic useful life of the asset, with the straight-line method, while applying the following annual depreciation rates:

- |                                     |           |
|-------------------------------------|-----------|
| ▪ buildings and structures          | 10%       |
| ▪ technical machinery and equipment | 10% - 30% |
| ▪ means of transport                | 14% - 20% |
| ▪ other fixed assets                | 20%       |

Land and perpetual usufruct right to land, as well as constructions in progress are not depreciated.

In justified cases (when benefits generated by an asset are not distributed evenly in time), another relevant method of depreciation is applied (e.g. regressive, progressive or other – in any case justified with the distribution of useful life of a given asset). Presently the Company depreciates fixed assets only with the straight-line method.

Fixed assets are depreciated from a month following their acceptance for use. The depreciation is accrued monthly.

Fixed assets of a unit value below PLN 1,200 are charged directly to costs at the moment of their handing over for use.

Profits or losses on sale, liquidation or discontinuance of use of fixed assets are established as the difference between revenues from sale and net value of the said fixed assets and are recorded in the profit and loss account.

#### **Verification of depreciation rates, impairment loss**

Not later than at the end of a financial year depreciation rates and depreciation methods applied to fixed assets are verified. If it is found out that the applied depreciation rates and methods need adjustment – such adjustment is made in the next year and following financial years.

Not later than at the end of a financial year, tangible fixed assets (fixed assets, constructions in progress) are also verified as to their impairment and possible need to make an impairment loss.

Recognition that it is highly probable that an asset will not generate the whole or significant part of expected economic benefits in future is an element indicating the need to make impairment loss. Impairment takes place e.g. in the case of liquidation or withdrawal from use of a particular fixed asset.

Impairment loss should be charged not later than on the balance sheet day (i.e. in the year in which the impairment occurred), to other operating costs.

Should a circumstance of the revaluation write-off on assets, including impairment loss, be not longer prevailing, the equivalent of the whole or relevant part of the prior write-off increases the value of the given asset and is included in other operating revenues or financial revenues respectively.

#### **Valuation of fixed assets as at the balance sheet day**

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Land, buildings and structures used in operating activity are disclosed in the balance sheet at the (revalued) value equal to the amount obtained from asset valuation to its fair value, made by an expert, based on market assumptions (as at a specified day of the said valuation), reduced in subsequent periods by depreciation charges and impairment losses. Valuations are made with such frequency as to ensure no material discrepancies between the book value and fair value as at the balance sheet day.

Increase of a value resulting from revaluation of land, buildings and structures is recorded in revaluation reserve, except for situations when the increased value reverses prior write-off recognised in the profit and loss account (in such case value increase is also recorded in the profit and loss account but only up to the value of the prior write-off). Reduction of a value due to revaluation of land, buildings and structures is recorded as a cost of the period at the amount exceeding prior valuation of the said asset recorded in revaluation reserve.

Depreciation of revalued buildings and structures is recorded in the profit and loss account. At the moment of sale or termination of use of revalued buildings and structures, unsettled amount of revaluation – referring to the said assets – is transferred directly from the revaluation reserve to retained earnings.

Assets of the Company, including land, buildings and structures, were valued at market values as at 30 September 2002 and were contributed in-kind at these values at the moment of the Company formation. According to the Management Board, in the period from 30 September 2002 to the balance sheet day, no impairment of the said assets occurred, therefore land, buildings and structures were not revalued and their book value is the fair value.

Machinery, equipment, means of transport and other fixed assets are presented in the balance sheet at historical cost less accumulated depreciation and impairment losses.

Constructions in progress, developed for the use in operating activity, as well as for so far unspecified purposes, are presented in the balance sheet at manufacturing cost less impairment losses. Manufacturing cost is increased by fees and – for specified assets – by costs of external funding, capitalised in accordance with the principles of accounting.

#### **Fixed asset inventory**

Inventory of fixed assets is made once every four years.

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

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

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

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

## **2.8. LEASE**

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

Assets used under a financial lease agreement are treated equally to the assets of the Company and are valued at the moment of commencing the lease agreement at the lower of fair value of an asset being a leased object or the current value of minimum lease fees. Lease fees are divided into interest and principal, so that the interest on outstanding liability is a fixed value.

Liabilities under lease agreements are recorded under balance sheet liabilities in the item "financial liabilities", and divided into short-term and long-term ones.

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

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

## **2.9. INVESTMENT REAL PROPERTY**

Investment real property is real property which is deemed as a source of revenues from rents and/or which is held due to expected growth in their value.

Investment real property is valued as at the balance sheet day at fair value.

Gains and losses due to any change in fair value of investment real property are recorded in the profit and loss account in the period in which they are generated.

## **2.10. INVESTMENT IN SUBSIDIARY COMPANIES**

At 31<sup>st</sup> March 2006 Eurocash purchased 100% shares of KDWT, located in Komorniki, at Wiśniowa 11 street and signed to National Court Register under KRS 0000040385 number.

According to International Accounting Standard no 27 investment in subsidiary the company shows in acquired price.

## **2.11. LONG-TERM RECEIVABLES**

### **Definition**

Long-term receivables include receivable falling due more than 1 year of the balance sheet day (excluding trade receivables).

This part of long-term receivables which falls due within a year of the balance sheet day should be recorded under short-term receivables.

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Long-term receivables cover e.g. prepaid security deposits referring to long-term (multiannual) agreements on shop rental.

#### **Valuation of long-term receivables as at the balance sheet day**

As at the balance sheet day receivables are valued at the amount due less possible allowance for bad debts.

In the case of security deposits, the balance sheet day valuation will practically be equal to par value of the said deposits.

## **2.12. LONG-TERM PREPAYMENTS**

#### **Deferred income tax assets**

As at the balance sheet day the Company creates deferred income tax assets, if they result in receipt of future economic benefits by the enterprise.

Due to temporary differences between the value of assets and liabilities disclosed in books of accounts and their tax value and tax loss possible to be deducted in future, the enterprise creates a provision and establishes assets due to deferred income tax.

Tax value of assets is an amount reducing income tax base in the case of deriving, directly or indirectly, economic benefits from such assets. If obtainment of economic benefits due to specified assets does not reduce the income tax base, the tax value of assets is their book value.

Tax value of liabilities is their book value less amounts to reduce the income tax base in future.

Deferred income tax assets are established at the amount expected to be deducted in future from income tax, due to negative temporary differences which will result in future reduction of the income tax base, and deductible tax loss established in accordance with the principle of prudence.

The value of deferred income tax assets is established taking account of income tax rates applicable in the year when the tax obligation arises.

In accordance with IAS 12 the Company compensates deferred income tax assets and provision.

Deferred income tax recorded in "income tax" of the profit and loss account is the difference between the balance of deferred income tax provision and deferred income tax assets as at the end and the beginning of the reporting period.

Deferred income tax assets and provision, referring to operations settled with equity, are also recognised in equity.

#### **Other long-term prepayments**

Other long-term prepayments cover expenditures incurred until the balance sheet day, being costs of future reporting periods falling due more than 12 months of the balance sheet day.

An analysis of long-term prepayments is made as at each balance sheet day. The part of prepayments to be realised within 12 months of the balance sheet day should be recorded in short-term prepayments.

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The aforesaid analysis is performed by the Company, taking account of rational premises and knowledge of particular prepayments.

### **2.13. FIXED ASSETS AND GROUPS OF NET ASSETS CLASSIFIED AS HELD FOR SALE**

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

The Company classifies tangible assets element (or a group intended for sale) as intended for sale if its balance-sheet value will be recovered first of all in the course of a sale transaction and not through its further usage.

Such situation occurs if the following conditions are fulfilled:

- assets 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 recognised as completed within one year from the day of classification, and the activities necessary for the completion of the program indicate that it is highly unlikely that any significant changes in the program will be made or that the program will be withdrawn from.

### **2.14. INVENTORIES**

#### **Definition**

Inventories of the Company include:

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

#### **Principles of establishing acquisition price**

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

An acquisition price is all costs of purchase and other costs paid in the course of bringing stocks to their current place and condition.

Costs of stocks purchase comprise the purchase price, import duties and other taxes (excluding the ones which the enterprise may recover from revenue office later on) and costs of transport, loading and unloading, as well as other costs which can be directly allocated to traded goods.

Costs of purchase are reduced by discounts, trade rebates and other similar items.

#### **Valuation of inventories as at the balance sheet day**

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During a year inventories are recorded in books of accounts at latest acquisition prices of particular stock items. As at the balance sheet day inventories are valued at their latest acquisition prices adjusted by relevant revaluation write-offs.

Taking account of characteristics of goods trade carried out by the Company, and in particular fast movement of stocks, the valuation at the latest acquisition prices does not differ significantly from FIFO valuation.

The Company identifies the following circumstances indicating the need to make a revaluation write-off on inventories:

- loss of useful value of inventories (destruction, expiry, etc.)
- excess of the level of inventories resulting from the demand and selling capacity of the Company,
- low movements of inventories,
- loss of the market value of inventories due to decrease in their sales prices below the inventory valuation level – net value possible to be obtained.

The Company makes revaluation write-offs in accordance with the following principles:

- 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 value of acquisition prices is higher than net realisable value as at the balance sheet day, acquisition prices are reduced to net realisable value by making a revaluation write-off.

Revaluation write-offs on inventories reduce other operating costs.

### **Stocktaking**

Inventories held by the Company are subject to continuous inventory.

Any differences between the actual status and records of books of accounts, found out under an inventory, are analysed, clarified and accounted for in books of accounts of the year of inventory. Inventory results are recorded in books of accounts on a monthly basis.

## **2.15. FINANCIAL INSTRUMENTS**

### **Definition**

The Company recognizes 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;

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- 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.

The Company is obligated, not later than as at the day of conclusion of a contract, to enter into the accounting books the issued or written instrument, as well as any components of the instrument, which are distinguishable, respectively qualified to shareholder's equity as equity instruments, short-term liabilities or long-term liabilities, also in the event that the liability item is not a financial instrument.

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

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.

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

The Company values in accordance with the following:

- at amortized cost, taking into account effective interest rate: financial assets or liabilities, held-to-maturity investments, loans and receivables and 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: financial assets and liabilities held for trading and financial assets held for sale.

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

## **2.16. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES**

### **Trade receivables**

Trade receivables cover receivables created under realised deliveries or services, falling due within 12 months or over 12 months.

Trade receivables do not include receivable due to advances granted to suppliers, which are classified as stocks, and advances for intangible fixed assets and constructions in progress, which increase fixed assets.

### **Other short-term receivables**

Other short-term receivables cover receivables falling due within 1 year of the balance sheet day, excluding trade receivables.

Other short-term receivables do not include advances for intangible fixed assets and constructions in progress, which increase fixed assets.



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

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

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

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

Receivables denominated in foreign currencies are valued at least as at the balance sheet day at the mid-rate of the National Bank of Poland as at the said day.

Exchange gains/losses on receivables denominated in foreign currencies, created as at the day of their valuation, are recognised as financial revenues or costs respectively.

### **Allowance for bad debts**

Allowance for bad debts are created for:

- receivables from debtors announced bankrupt or being liquidated – up to the value of receivables not covered by a guarantee or other security,
- receivables from debtors in the case of rejecting a petition for bankruptcy, when assets of the debtor are not sufficient to cover costs of bankruptcy proceedings – up to the full value,
- receivables questioned by debtors – up to the value not covered by a security,
- overdue receivables or not yet overdue but highly probable to become overdue – at the amount fairly estimated by the Company (based on prior experiences, fair analyses, projections, etc.),
- receivables submitted to court – based on monthly analyses of the Legal Department; each account receivable submitted to court is reviewed individually and, depending on the opinion of the Legal Department on the possibility to recover a particular account receivable, an allowance for bad debts is created,
- receivables overdue more than 180 days – 100% of the account receivable value.

Allowance for bad debts takes account not only of events that have occurred until the balance sheet day but also the ones disclosed later on, until the financial statements are approved by the Management Board for publication, if such events refer to an account receivable recorded in books of accounts as at the balance sheet day.

Allowance for bad debts is charged to other operating costs and if it refers to interest – to financial costs.

### **Inventory of receivables**

An inventory of trade receivables is performed as at the balance sheet day by way of balance confirmation.

Results of the receivables inventory are accounted for during revaluation of receivables as at the balance sheet day.

## **2.17. INVESTMENTS IN SECURITIES**

Investments in securities classified as held for sale or available for sale are valued as at the balance sheet day at fair value. In the case of securities classified as held for sale, gains and losses due to any change in fair value are recorded in the profit and loss account for a given period. In the case of assets available for sale, gains and losses due to any change in fair value are recognised directly in equity until an asset is sold or an impairment is

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recorded. At that time cumulated gains or losses previously recognised in equity are transferred to the profit and loss account for a given period.

## **2.18. SHORT-TERM PREPAYMENTS**

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

Short-term prepayments are analysed as at each balance sheet day. These prepayments which are realised within 12 months of the balance sheet day should be recorded in short-term prepayments.

The assessment made by the Company is based on rational premises and knowledge of particular prepayments.

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

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

## **2.19. LONG-TERM LIABILITIES**

Long-term liabilities cover liabilities falling due more than 12 months of the balance sheet day (it does not refer to trade liabilities).

Long-term liabilities cover mainly:

- liabilities due to incurred loans and credits,
- financial liabilities under financial lease agreements,
- liabilities to sub-lessees of depot premises due to security deposits paid by the same.

### **Valuation of long-term liabilities as at the balance sheet day**

Long-term liabilities are recorded at the amount payable, covering also unpaid interest. Interest is posted at the moment of receiving interest notes.

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

Liabilities denominated in foreign currencies are valued at least as at the balance sheet day at the mid-rate of the National Bank of Poland as at the said day.

Exchange gains/losses on long-term liabilities denominated in foreign currencies, created as at the day of their valuation, are recognised as financial revenues or costs respectively.

## **2.20. SHORT-TERM LIABILITIES**

Short-term liabilities cover liabilities falling due within 12 months of the balance sheet day (it does not refer to trade liabilities).

Short-term liabilities cover in particular:

- liabilities due to incurred loans and credits,
- financial liabilities under financial lease agreements,

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- trade liabilities,
- liabilities due to taxes, customs duties, insurance and other benefits,
- liabilities due to payroll.

#### **Valuation of short-term liabilities as at the balance sheet day**

Short-term liabilities are recorded at the amount payable, covering also unpaid interest. Interest is posted at the moment of receiving interest notes.

#### **Valuation as at the balance sheet day of short-term liabilities denominated in foreign currencies**

Liabilities denominated in foreign currencies are valued at least as at the balance sheet day at the mid-rate of the National Bank of Poland as at the said day.

Exchange gains/losses on short-term liabilities denominated in foreign currencies, created as at the day of their valuation, are recognised as financial revenues or costs respectively.

#### **2.21. BANK LOANS**

Interest-bearing bank loans are recorded at acquisition prices corresponding to fair value of acquiring funds, less direct costs of loan acquisition. In next periods loans are valued at amortised acquisition price, accounting for an effective interest rate.

#### **2.22. CAPITAL INSTRUMENTS**

Capital instruments issued by the Company are recorded at values of obtained receipts less direct issuing costs.

#### **2.23. PROVISIONS**

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

Provisions refer to the following costs, among others:

- unused paid leaves,
- employee salaries and bonuses,
- agency depot commissions,
- rents and media,
- costs of transport,
- postal and telecommunication services,
- consulting services,
- audit services.

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

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

An analysis of accruals per long-term and short-term ones is performed as at each balance sheet day. This part of accruals which is realised within 12 months of the balance sheet day is recorded in short-term provisions. The other part should be recorded in the long-term part.

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

Provisions denominated in foreign currencies are valued at least as at the balance sheet day at the mid-rate of the National Bank of Poland as at the said day.

Exchange gains/losses on accruals denominated in foreign currencies, created as at the day of their valuation, are recognised as financial revenues or costs respectively.

## **2.24. NET SALES**

Net sales are recorded – in accordance with International Accounting Standard No. 18 “Revenues” – at fair value of payments received or due and represent receivables for goods and services delivered under an ordinary course of business, reduced by rebates, VAT and other sales taxes (excise tax).

### **Sales of goods**

Net sales are recorded when the following conditions are fulfilled:

- the enterprise transferred significant risk and benefits attached to property rights to traded goods to the buyer,
- the enterprise is no longer permanently involved in management of sold traded goods, to the extent such function is usually performed by an owner of goods, and is not exercising an effective control over the same,
- an amount of net sales may be fairly estimated,
- is probable that the enterprise will derive economic benefits from the transaction,
- paid costs and costs to be paid by the enterprise due to the transaction may be fairly estimated.

### **Delivery of services**

If the result of a transaction on providing services can be fairly assessed, revenues from the transaction are recorded based on the degree of transaction realisation as at the balance sheet day. The result of a transaction may be fairly assessed if all the following conditions are satisfied:

- an amount of net sales may be fairly estimated,
- it is probable that the enterprise will derive economic benefits from the transaction,
- the degree of transaction realisation as at the balance sheet day may be fairly estimated,
- costs paid due to the transaction and costs of closing the transaction may be fairly estimated.

If a result on a transaction of providing services may not be fairly estimated, revenues from the transactions are recorded only up to the value of paid costs expected to be recovered by the enterprise.

Interest revenues are recorded successively as they accrue, with regard to the principal, in accordance with the effective interest rate method.

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

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## 2.25. EMPLOYEE BENEFITS

In accordance with the provisions of the International Accounting Standards, the Company should account in its financial statements for costs due to pension benefits and other employee benefits upon termination of their employment, by creating a provision for pension benefits. Application of IAS 19 “Employee benefits” would result in establishing a provision while applying an actuarial method on projected individual rights.

The Company does not disclose balances connected with costs necessary to incur in future due to termination of the employment relation with employees, as the amount of provision calculated in accordance with IAS is insignificant for the needs of the financial statements.

## 2.26. TAXES

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

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

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

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

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

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

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

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## 2.27. BUSINESS COMBINATIONS AND CONSOLIDATION PRINCIPLES

### Subsidiaries

Subsidiary entities included in the consolidated financial statements, considered as such, are those entities in relation to which the Group has the power to manage their financial and operational policies in order to gain profits from their activity. It is connected with possessing the majority of the total number of votes in the governing bodies of these entities. While assessing whether the Group controls a given entity, the existence and the influence of potential voting rights that in the given moment may be exercised or changed are taken into account.

### Accounting recognition

In accordance with IFRS 3, the Company applies the purchase method of accounting for recognition of consolidation of business units.

### Acquisition cost

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 by 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 by 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

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“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.

## **2.28. SEGMENT REPORTING**

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 is to help the user of financial statements to:

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

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

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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 interim abbreviated financial statements, dependent on which of the segment reporting manner is the main way applied by the entity.



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## NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2006 TO 30 JUNE 2006

### NOTE NO. 1. SEGMENTS OF OPERATIONS – BUSINESS AND GEOGRAPHICAL

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.

In relation to the fact that the particular business segments are fully represented by the operations of Eurocash S.A. and KDWT S.A., it has been decided not to present the segment results separately in the unit financial statements of Eurocash S.A. As the traditional wholesale business segment differentiated by the Group is represented by the operations of Eurocash S.A., it should be deemed that the financial statements reflect the results achieved by this segment.

The results achieved by both business segments are presented in the consolidated financial statements.

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**NOTE NO. 2.  
INTANGIBLE FIXED ASSETS**

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

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

	Goodwill	Patents and licences	Costs of R&D	Other intangible fixed assets	Advances	Total
<b>Net carrying value as at 1 January 2005</b>	-	<b>4 511 518</b>	-	<b>101 271 122</b>	<b>2 500 000</b>	<b>108 282 640</b>
Increase due to acquisition	-	124 865	-	1 343 741	9 840 000	<b>11 308 606</b>
Decrease due to sale	-	-	-	(47 682)	-	<b>(47 682)</b>
Increase or decrease due to revaluation	-	-	-	-	-	-
Advances	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Write-off reversal	-	-	-	-	-	-
Amortisation	-	(1 877 438)	-	(7 059 198)	-	<b>(8 936 637)</b>
Exchange gain/loss	-	-	-	-	-	-
Other changes	-	212 132	-	12 340 000	(12 340 000)	<b>212 132</b>
<b>Net carrying value as at 31 December 2005</b>	-	<b>2 971 077</b>	-	<b>107 847 982</b>	-	<b>110 819 059</b>
<b>Net carrying value as at 1 January 2006</b>	-	<b>2 971 077</b>	-	<b>107 847 982</b>	-	<b>110 819 059</b>
Increase due to acquisition	-	121 003	-	-	-	121 003
Decrease due to sale	-	-	-	-	-	-
Increase or decrease due to revaluation	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Write-off reversal	-	-	-	-	-	-
Amortisation	-	(932 108)	-	(3 905 244)	-	(4 837 352)
Exchange gain/loss	-	-	-	-	-	-
Other changes	-	42 628	-	-	-	42 628
<b>Net carrying value as at 30 June 2006</b>	-	<b>2 202 600</b>	-	<b>103 942 738</b>	-	<b>106 145 338</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	<i>1 January – 30 June 2005</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of rounding:	<i>all amounts are denominated in Polish zlotys (unless provided otherwise)</i>		

Table No. 1

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

	Goodwill	Patents and licences	Costs of R&D	Other intangible fixed assets	Advances	Total
<i>As at 1 January 2006</i>						
Gross carrying value	-	6 054 515	-	117 098 527	-	123 153 042
Total accumulated amortisation and write-offs	-	(3 083 438)	-	(9 250 545)	-	(12 333 982)
<b>Net carrying value</b>	-	<b>2 971 077</b>	-	<b>107 847 982</b>	-	<b>110 819 059</b>
<i>As at 30 June 2006</i>						
Gross carrying value	-	6 218 145	-	117 098 527	-	123 316 673
Total accumulated amortisation and write-offs	-	(4 015 545)	-	(13 155 789)	-	(17 171 334)
<b>Net carrying value</b>	-	<b>2 202 600</b>	-	<b>103 942 738</b>	-	<b>106 145 338</b>

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Level of rounding:	<i>all amounts are denominated in Polish zlotys (unless provided otherwise)</i>		

**NOTE NO. 3.  
TANGIBLE FIXED ASSETS**

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

*Table No. 2*

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

	Land, buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Constructions in progress	Total
<b>Net carrying value as at 1 January 2005</b>	<b>34 758 946</b>	<b>14 286 346</b>	<b>6 730 415</b>	<b>11 914 827</b>	<b>820 199</b>	<b>68 510 733</b>
Increase due to acquisition	3 787 687	3 100 634	1 542 340	6 127 355	8 277 924	<b>22 835 940</b>
Acquisition due to merger of enterprises	-	-	-	-	-	-
Increase due to lease	-	-	3 109 094	-	-	<b>3 109 094</b>
Decrease due to sale	(2 613 937)	(283 135)	(618 718)	(1 552 155)	-	<b>(5 067 944)</b>
Assets held for sale	-	-	-	-	-	-
Increase or decrease due to revaluation	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Write-off reversal	-	-	-	-	-	-
Depreciation	(3 680 794)	(4 312 716)	(1 756 443)	(4 995 128)	-	<b>(14 745 081)</b>
Exchange gain/loss	-	-	-	-	-	-
Other changes	-	-	-	-	(6 909 863)	<b>(6 909 863)</b>
<b>Net carrying value as at 31 December 2005</b>	<b>32 251 902</b>	<b>12 791 129</b>	<b>9 006 689</b>	<b>11 494 898</b>	<b>2 188 260</b>	<b>67 732 878</b>
<b>Wartość bilansowa netto na dzień 01.01.2006 roku</b>	<b>32 251 902</b>	<b>12 791 129</b>	<b>9 006 689</b>	<b>11 494 898</b>	<b>2 188 260</b>	<b>67 732 878</b>
Increase due to acquisition	4 567 051	1 901 212	230 639	958 480	-	7 657 382
Acquisition due to merger of enterprises	-	-	-	-	-	-
Increase due to lease	-	-	228 249	-	-	228 249
Decrease due to sale	(347 087)	(200 000)	(16 469)	(18 297)	-	(581 853)
Decrease due to liquidation	(1 185 108)	(195 679)	(33 300)	(121 377)	-	(1 535 464)
Assets held for sale	-	-	-	-	-	-
Increase or decrease due to revaluation	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Write-off reversal	-	-	-	-	-	-
Depreciation	(1 540 281)	(2 404 924)	(1 256 401)	(2 548 413)	-	(7 750 020)
Exchange gain/loss	-	-	-	-	-	-
Other changes	(825 022)	-	-	-	(1 283 437)	(2 108 459)
<b>Net carrying value as at 30 June 2006</b>	<b>32 921 455</b>	<b>11 891 738</b>	<b>8 159 407</b>	<b>9 765 292</b>	<b>904 823</b>	<b>63 642 715</b>

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Level of rounding:	<i>all amounts are denominated in Polish zlotys (unless provided otherwise)</i>		

Table No. 2

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

	Land, buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Constructions in progress	Total
<i>As at 1 January 2006</i>						
Gross carrying value	44 671 340	24 632 945	13 388 811	25 390 307	2 188 260	110 271 663
Total accumulated depreciation and write-offs	(12 419 438)	(11 841 816)	(4 382 122)	(13 895 408)	-	(42 538 784)
<b>Net carrying value</b>	<b>32 251 902</b>	<b>12 791 129</b>	<b>9 006 689</b>	<b>11 494 899</b>	<b>2 188 260</b>	<b>67 732 878</b>
<i>As at 30 June 2006</i>						
Gross carrying value	46 881 174	26 138 478	13 797 931	26 209 113	904 823	113 931 519
Total accumulated depreciation and write-offs	(13 959 719)	(14 246 740)	(5 638 524)	(16 443 821)	-	(50 288 804)
<b>Net carrying value</b>	<b>32 921 455</b>	<b>11 891 738</b>	<b>8 159 407</b>	<b>9 765 292</b>	<b>904 823</b>	<b>63 642 715</b>

The Company made no impairment loss on tangible fixed assets.

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**NOTE NO. 4.**

**ANALYSIS OF RATIONALES INDICATING POSSIBILITY OF IMPAIRMENT OF VALUE OF ASSETS**

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

The following rationales were assessed:

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

**NOTE NO. 5.**

**INVESTMENT REAL ESTATE**

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

**NOTE NO. 6.**

**INVESTMENTS IN SUBSIDIARY COMPANIES**

Information about long-term receivables is presented in Table No. 3.

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Table No. 3

**INVESTMENTS IN SUBSIDIARIES COMPANIES AS AT 30 JUNE 2006**

Name of the subsidiary company	Registered office of the company	% of shares held	% of votes held	Consolidation method
KDWT S.A.	Wiśniowa 11, Komorniki	100,00%	100,00%	full

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**NOTE NO. 7.  
PARTICIPATION IN JOINT VENTURES**

The Company participated in no joint ventures.

**NOTE NO. 8.  
FINANCIAL ASSETS**

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

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

**NOTE NO. 9.  
LONG-TERM RECEIVABLES**

Information about long-term receivables is presented in Table No. 4.

*Table No. 4*

**LONG-TERM RECEIVABLES AS AT 30 JUNE 2006**

	as at 30.06.2006	as at 31.12.2005
Security deposits paid due to agreements on depot rental	1 507 359	555 759
	<b>1 507 359</b>	<b>555 759</b>

**NOTE NO. 10.  
INVENTORIES**

Information about stocks is presented in Tables No. 5 and 6.

*Table No. 5*

**INVENTORIES STRUCTURE AS AT 30 JUNE 2006**

	as at 30.06.2006	as at 31.12.2005
Traded goods	127 295 045	113 581 580
Materials	113 910	146 259
Advances for deliveries	5 638 780	6 532 713
<b>Total stocks, including:</b>	<b>133 047 734</b>	<b>120 260 552</b>
- carrying value of stocks disclosed at fair value less costs of sale	-	-
- carrying value of stocks being a security for liabilities	20 200 000	20 200 000



<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

Table No. 6

**INVENTORIES IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2006**

	for the period from 01.01.2006 to 30.06.2006	for the period from 01.01.2005 to 30.06.2005
Value of stocks recorded as a cost in the period	(760 632 465)	(695 403 446)
Revaluation write-offs on stocks recorded as a cost in the period	(313 411)	(283 712)
Revaluation write-off on stocks reversed in the period	181 658	658 805

**NOTE NO. 11.  
CONSTRUCTION AGREEMENTS**

The Company concluded no construction agreements.

**NOTE NO. 12.  
TRADE RECEIVABLES AND OTHER RECEIVABLES**

Information about trade receivables and other receivables is presented in Table No. 7.

Table No. 7

**TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 30 JUNE 2006**

	as at 30.06.2006	as at 31.12.2005
<b>Trade receivables</b>	<b>42 813 721</b>	<b>36 889 803</b>
Additional revenues	28 642 336	26 144 302
Credit sales	13 869 364	10 256 752
ABC marketing fees	796 204	819 700
Other trade receivables	652 435	655 277
Allowance for trade bad debts	(1 146 617)	(986 228)
<b>Other receivables</b>	<b>2 297 535</b>	<b>2 706 467</b>
Settlement of VAT	566 012	232 529
Receivables due to insurance	1 212 763	1 951 933
Receivables due to employees	199 165	169 437
Other receivables	693 377	627 374
Allowance for other bad debts	(373 781)	(274 806)
<b>Total receivables, including:</b>	<b>45 111 257</b>	<b>39 596 270</b>
- long-term	-	-
- short-term	45 111 257	39 596 270

**NOTE NO. 13.  
SHORT-TERM PREPAYMENTS**

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

Table No. 8

**SHORT-TERM PREPAYMENTS AS AT 30 JUNE 2006**

	na dzień 30.06.2006	na dzień 31.12.2005
Bonuses for customers due to promotional actions	-	12 355
Licences for selling alcohol	369 242	332 129
Advertising folders	-	15 614
Rents	1 194 566	1 553 965
Insurances	193 621	24 983
Other prepayments	695 491	493 715
	<b>2 452 919</b>	<b>2 432 762</b>

**NOTE NO. 14.  
EQUITY**

Information about equity is presented in Tables No. 9 and 10.

Table No. 9

**SHARE CAPITAL AS AT 30 JUNE 2006**

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

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

Table No. 10

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

	for the period from 01.01.2006 to 30.06.2006	for the period from 01.01.2005 to 31.12.2005
<b>Share capital at the beginning of the period</b>	<b>127 742 000</b>	<b>127 742 000</b>
<b>Increase of share capital in the period</b>	-	-
Issued share capital - in-kind contribution	-	-
<b>Increase of share capital in the period</b>	-	-
<b>Share capital at the end of the period</b>	<b>127 742 000</b>	<b>127 742 000</b>

**NOTE NO. 15.  
OTHER CAPITAL**

Information about other capital is presented in Table No. 11.

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	<i>1 January – 30 June 2005</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of rounding:	<i>all amounts are denominated in Polish zlotys (unless provided otherwise)</i>		

Table No. 11

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

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

**NOTE NO. 16.  
OPTIONS FOR SHARES**

Information about options for own shares is presented in Table No. 12.

Table No. 12

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

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

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

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

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	<i>1 January – 30 June 2005</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of rounding:	<i>all amounts are denominated in Polish zlotys (unless provided otherwise)</i>		

The bonds will bear no interest.

The bond issue price will be equal to the par value.

One "A" bond gives priority to subscribe and take up 25 "B" shares.

One "B" bond gives priority to subscribe and take up 25 "C" shares.

The Company valued the incentive scheme for "A" bonds at PLN 1,921 million. The said value will be amortised for the period of 3 years, beginning from 1 January 2005.

Options for shares embedded in "B" bonds were valued at 1 January 2006 at 2.781 million, and will also be amortised for 3 years.

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

The Company will issue the total of 415,000 inscribed shares.

The bonds will bear no interest.

The bond issue price will be equal 1 polish grosz.

One "C" bond gives priority to subscribe and take up 2 "D" shares.

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

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

The Company will issue the total of 63,871 inscribed shares.

The bonds will bear no interest.

The bond issue price will be equal 1 polish grosz.

One "D" bond gives priority to subscribe and take up 25 "E" shares.

<i>Separate financial statements of EUROCASH S.A.</i>				
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)	
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)			

**NOTE NO. 17.  
PROVISIONS**

Information about provisions is presented in Tables No. 13 and 14.

*Table No. 13*

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

	Provision for unused paid leaves	Provision for bonuses	Provision for agency depot commissions	Provision for costs of advertising	Provision for rents
<b>Provisions as at 1 January 2005</b>	<b>(1 912 469)</b>	<b>(3 000 000)</b>	<b>(228 335)</b>	<b>(333 867)</b>	<b>(387 486)</b>
Increase in provisions	-	-	(426 667)	(91 133)	(138 285)
Decrease in provisions	99 816	1 000 000	-	-	-
<b>Provisions as at 31 December 2005</b>	<b>(1 812 653)</b>	<b>(2 000 000)</b>	<b>(655 002)</b>	<b>(425 000)</b>	<b>(525 772)</b>
<b>Provisions as at 1 January 2006</b>	<b>(1 812 653)</b>	<b>(2 000 000)</b>	<b>(655 002)</b>	<b>(425 000)</b>	<b>(525 772)</b>
Increase in provisions	(342 212)	-	(337 305)	-	-
Decrease in provisions	-	2	-	325 000	224 418
<b>Provisions as at 30 June 2006, including:</b>	<b>(2 154 865)</b>	<b>(1 999 998)</b>	<b>(992 307)</b>	<b>(100 000)</b>	<b>(301 354)</b>
- short-term	(2 154 865)	(1 999 998)	(992 307)	(100 000)	(301 354)
- long-term	-	-	-	-	-

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	<i>1 January – 30 June 2005</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of rounding:	<i>all amounts are denominated in Polish zlotys (unless provided otherwise)</i>		

Table No. 13

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

	Provision for costs of transport	Provision for media	Provision for postal and telecommunicatio n costs	Other provisions	Total
<b>Provisions as at 1 January 2005</b>	<b>(212 000)</b>	<b>(257 879)</b>	<b>(258 557)</b>	<b>(3 637 913)</b>	<b>(10 228 505)</b>
Increase in provisions	(188 000)	(142 197)	-	(528 578)	(1 514 860)
Decrease in provisions	-	-	48 680	100	1 148 596
<b>Provisions as at 31 December 2005</b>	<b>(400 000)</b>	<b>(400 075)</b>	<b>(209 876)</b>	<b>(4 166 391)</b>	<b>(10 594 769)</b>
<b>Provisions as at 1 January 2006</b>	<b>(400 000)</b>	<b>(400 075)</b>	<b>(209 876)</b>	<b>(4 166 391)</b>	<b>(10 594 769)</b>
Increase in provisions	(267 760)	-	(42 375)	(319 310)	(1 308 962)
Decrease in provisions	-	79 959	-	1 603 718	2 233 097
<b>Provisions as at 30 June 2006, including:</b>	<b>(667 760)</b>	<b>(320 116)</b>	<b>(252 251)</b>	<b>(2 881 983)</b>	<b>(9 670 634)</b>
- short-term	(667 760)	(320 116)	(252 251)	(2 881 983)	(9 670 634)
- long-term	-	-	-	-	-

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	<i>1 January – 30 June 2005</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of rounding:	<i>all amounts are denominated in Polish zlotys (unless provided otherwise)</i>		

Table No. 14

**PROVISIONS AS AT 30 JUNE 2006**

	as at 30.06.2006	as at 31.12.2005
Provision for unused paid leaves	(2 154 865)	(1 812 653)
Provision for restructuring	(1 498 712)	(2 386 950)
Provision for bonuses	(1 999 998)	(2 000 000)
Provision for agency depot commissions	(992 307)	(655 002)
Provision for non-trading costs	(530 271)	(344 971)
Provision for costs of advertising	(100 000)	(425 000)
Provision for rents	(301 354)	(525 772)
Provision for costs of transport	(667 760)	(400 000)
Provision for media	(320 116)	(400 075)
Provision for postal and telecommunication costs	(252 251)	(209 876)
Provision for costs of monitoring and security	(166 425)	(181 160)
Provision for costs of advisory and audit services	(122 775)	(229 090)
Other provisions	(563 800)	(1 024 220)
	<b>(9 670 634)</b>	<b>(10 594 769)</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

**NOTE NO. 18.  
TRADE LIABILITIES AND OTHER LIABILITIES**

Information about trade liabilities and other liabilities is presented in Table No. 15.

*Table No. 15*

**TRADE LIABILITIES AND OTHER LIABILITIES AS AT 30 JUNE 2006**

	as at 30.06.2006	as at 31.12.2005
<b>Trade liabilities</b>	<b>264 281 689</b>	<b>236 854 087</b>
Supplies of traded goods	260 422 235	231 456 865
Transport services	3 859 453	5 397 222
<b>Other liabilities</b>	<b>34 800 025</b>	<b>18 386 714</b>
Financial lease	5 321 723	6 056 630
Settlement of VAT	3 227 807	2 083 926
Payroll	2 111 821	1 721 505
Social insurance	1 563 806	1 279 564
Fixed assets	1 550 854	940 478
Current corporate income tax	929 458	4 188 247
Personal income tax	465 086	578 711
Other liabilities	19 629 470	1 537 653
<b>Total liabilities, including:</b>	<b>299 081 714</b>	<b>255 240 801</b>
- long-term	11 153 712	4 313 378
- short-term	287 928 002	250 927 423

**NOTE NO. 19.  
LOANS AND CREDITS**

As at the balance sheet day there were no loans or credits.

**NOTE NO. 20.  
CONTINGENT LEASE PAYMENTS**

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

**NOTE NO. 21.  
OTHER FINANCIAL LIABILITIES**

Information about other financial liabilities is presented in Table No. 16

*Table No. 16*

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

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



<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	<i>1 January – 30 June 2005</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of rounding:	<i>all amounts are denominated in Polish zlotys (unless provided otherwise)</i>		

**NOTE NO. 22.  
LEASE**

Specification of leased objects is presented in Table No. 17.

*Table No. 17*

**LEASED OBJECTS AS AT 30 JUNE 2006**

	Per groups of assets				Total
	Land, buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	
Lease - company cars, agreement NIVETTE 21/2003	-	-	1 100 000	-	1 100 000
Lease - computer equipment, agreement HEWLETT PACKARD	-	4 269 954	-	-	4 269 954
Lease - company cars, agreement WBK ZA2/00007/2005	-	-	67 188	-	67 188
Lease - company cars, agreement WBK ZA2/00011/2005	-	-	152 870	-	152 870
Lease - company cars, agreement WBK ZA2/00017/2005	-	-	50 957	-	50 957
Lease - company cars, agreement WBK ZA2/00014/2005	-	-	152 870	-	152 870
Lease - company cars, agreement WBK ZA2/00032/2005	-	-	167 869	-	167 869
Lease - company cars, agreement WBK ZA2/00031/2005	-	-	101 913	-	101 913
Lease - company cars, agreement WBK ZA2/00037/2005	-	-	129 500	-	129 500
Lease - company cars, agreement WBK ZA2/00039/2005	-	-	73 295	-	73 295
Lease - company cars, agreement WBK ZA2/00061/2005	-	-	147 492	-	147 492
Lease - company cars, agreement WBK ZA2/00062/2005	-	-	125 410	-	125 410
Lease - company forklifts, agreement Linde Material Handling	-	-	2 177 830	-	2 177 830
<b>Net carrying value of leased objects</b>	-	4 269 954	4 447 193	-	8 717 147

Detailed specification of lease agreements is presented in Table No. 18.

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

Table No. 18

**LEASE AGREEMENTS AS AT 30 JUNE 2006**

							Value of liabilities as at 30 June 2006		
No.	Financing party	Agreement No.	Initial value	Initial value (currency)	Currency	Agreement completion term	Total	Short-term	Long-term
1	Nivette Fleet Management	21/2003	1 100 000	-	PLN	03.2007	201 988	186 550	15 439
2	Hewlett-Packard Polska Sp. z o.o.	04PL-0003A	4 269 954	-	PLN	03.2009	2 405 699	790 821	1 614 879
3	WBK Leasing S.A. Poznań	ZA/00007/2005	67 188	-	PLN	04.2008	38 406	20 351	18 056
4	WBK Leasing S.A. Poznań	ZA/00011/2005	152 870	-	PLN	04.2008	86 792	46 139	40 653
5	WBK Leasing S.A. Poznań	ZA/00017/2005	50 957	-	PLN	06.2008	31 397	15 211	16 186
6	WBK Leasing S.A. Poznań	ZA/00014/2005	152 870	-	PLN	05.2008	90 400	45 852	44 548
7	WBK Leasing S.A. Poznań	ZA/00032/2005	167 869	-	PLN	06.2008	123 138	48 774	74 364
8	WBK Leasing S.A. Poznań	ZA/00031/2005	101 913	-	PLN	06.2008	74 157	30 046	44 111
9	WBK Leasing S.A. Poznań	ZA2/00037/2005	129 500		PLN	07.2008	88 404	34 369	54 035
10	WBK Leasing S.A. Poznań	ZA2/00039/2005	73 295		PLN	08.2008	50 149	19 436	30 713
11	WBK Leasing S.A. Poznań	ZA2/00061/2005	147 492		PLN	12.2008	114 368	37 842	76 526

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

Table no 18

**LEASING AGREEMENTS AS AT 31.12.2005 ROKU (continued)**

12	WBK Leasing S.A. Poznań	ZA2/00062/2 005	125 410	PLN	12.2008	97 238	32 187	65 051
13	Linde Material Handling Polska Sp. z o.o.	LTR+FSA 05/20852/JP	1 949 581	PLN	11.2010	1 703 989	323 749	1 380 241
14	Linde Material Handling Polska Sp. z o.o.	LTR+FSA 05/20852/JP ANEKS nr 3	228 249	PLN	02.2011	215 597	36 683	178 914
			<u>8 717 147</u>			<u>5 321 723</u>	<u>1 668 008</u>	<u>3 653 715</u>

Table No. 19

**LIABILITIES UNDER FINANCIAL LEASE AGREEMENTS AS AT 30 JUNE 2006**

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

### OPERATING LEASE

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

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

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

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

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

The specificity of the minimal fees for the operation lease is presented in table no 20.

*Table No. 20*

#### **LIABILITIES UNDER OPERATING LEASE AGREEMENTS AS AT 30 JUNE 2006**

	as at 30.06.2006	as at 31.12.2005
	minimum fees	minimum fees
<i>Future minimum fees due to operating lease agreements</i>		
Payable within 1 year	15 231 887	17 131 053
Payable in the period from 1 year to 5 years	56 804 870	59 620 237
Payable in the period of over 5 years	20 965 421	26 238 806
<b>Total future minimum fees due to operating lease agreements</b>	<b>93 002 178</b>	<b>102 990 095</b>

### NOTE NO. 23. INCOME TAX

Specification of income tax for the reporting period is presented in Table No. 21 and 22.

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

Table No. 21

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

	for the period from 01.01.2006 to 30.06.2006	for the period from 01.01.2005 to 30.06.2005
<i>Profit and loss account</i>		
<b>Current income tax</b>	<b>(2 946 153)</b>	<b>(4 383 303)</b>
Current income tax burden	(2 946 153)	(4 383 303)
Adjustment of prior years on current income tax	-	-
<b>Deferred income tax</b>	<b>(408 115)</b>	<b>975 250</b>
Due to creation and reversal of temporary differences	(408 115)	975 250
Due to income tax rate reduction	-	-
<b>Tax burden recorded in profit and loss account</b>	<b>(3 354 268)</b>	<b>(3 408 053)</b>
<i>Statement on changes in equity</i>		
<b>Current income tax</b>	-	-
Current income tax due to exchange gains/losses on a loan	-	-
<b>Deferred income tax</b>	-	-
Net loss due to revaluation of security for cash flows	-	-
Unrealised gains due to financial assets available for sale	-	-
Net deferred income tax recognised in capital reserve at first application of IAS 39	-	-
Net deferred income tax on security for cash flows settled during the financial year	-	-
Net deferred income tax on financial assets available for sale sold during the financial year	-	-
<b>Financial benefit recognised in equity</b>	<b>-</b>	<b>-</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

Table No. 22

**CROSSING FROM ACCOUNTING RESULT TO TAX RESULT IN PERIOD FROM 01.01 TO 30.06.2006**

	as at 30.06.2006
<b>REVENUES AND PROFITS</b>	
- revenues from selling goods, services and materials	872 266 705
- other operating revenues	2 824 168
- financial revenues	950 796
<b>TOTAL OF INCOMES AND PROFITS BEFORE CORRECT</b>	<b>876 041 669</b>
<i>Incomes correction</i>	
- unearned incomes	343 160
- unrealized positive exchange rates	87 210
<b>TOTAL OF INCOMES CORRECTION</b>	<b>430 370</b>
<b>TOTAL OF INCOMES AND PROFITS AFTER CORRECT</b>	<b>876 472 039</b>
<b>COSTS AND LOSSES</b>	
- costs of sold traded goods	(760 632 465)
- costs of sales	(62 613 708)
- costs of general management	(32 791 766)
- other operating costs	(4 655 381)
- financial costs	(740 406)
<b>TOTAL OF COSTS AND LOSSES BEFORE CORRECT</b>	<b>(861 433 726)</b>
<i>Costs correction</i>	
- costs unconstitutive cost obtain of revenue	1 566 722
- costs unconstitutive cost obtain of revenue concern fixed assets liquidation	980 277
- depreciation of personal cars above 20.000 EUR	7 804
- costs of the Incentive Scheme	783 823
- tax effect on financial lease	268 653
<b>TOTAL OF COSTS CORRECTIONS</b>	<b>3 607 279</b>
<i>Tax costs, unconstitutive cost of accounting</i>	
- excess of tax depreciation over accounting depreciation	(3 854 625)
- IAS depreciation concern lease	(1 211 410)
<b>TOTAL OF UNCONSTITUTIVE COSTS OF ACCOUNTING</b>	<b>(5 066 036)</b>
<i>Changing status of costs unconstitutive cost obtain of revenue</i>	
- unpaid payroll	3 372 269
- unpaid payroll concern civil agreements	67 076
- deferment of rebates	658 535
- allowance for inventories	313 411
- allowance for trade bad debts	123 161
- provision for bonuses	(2)
- provision for unused paid leaves	342 212
- provision for agency depot commissions	337 305
- provision for costs of transport	267 760
- provision for rents	-
- provision for media	(79 959)
- provision for postal and telecommunication costs	42 375
- other provisions	(3 517 633)
<b>TOTAL OF COSTS CORRECTIONS</b>	<b>1 926 511</b>
<b>TOTAL OF COSTS AND LOSSES AFTER CORRECT</b>	<b>(860 965 971)</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	<i>1 January – 30 June 2005</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of rounding:	<i>all amounts are denominated in Polish zlotys (unless provided otherwise)</i>		

*Table No. 22*

**CROSSING FROM ACCOUNTING RESULT TO TAX RESULT IN PERIOD FROM 01.01 TO 30.06.2006  
(continued)**

Profit / (loss) gross - accounting	14 607 943
Profit / (loss) gross - tax	15 506 068
Tax CIT (19%)	2 946 153
Provision for income tax liabilities	408 115
<b>TOTAL TAX</b>	<b>3 354 268</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

**NOTE NO. 24.  
DEFERRED INCOME TAX**

Deferred income tax is presented in Table No. 23.

*Table No. 23*

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

	as at 30.06.2006	Balance sheet as at 31.12.2005	Profit and loss account for the period from 01.01.2006 to 30.06.2006	Profit and loss account for the period from 01.01.2005 to 30.06.2005
<i>Deferred income tax provision</i>				
- non-invoiced additional revenues	1 293 888	1 359 089	(65 200)	(803 114)
- exchange rates	(26 660)	25 559	(52 219)	-
- difference between tax and accounting depreciation and amortization	3 376 670	2 874 992	501 678	98 838
<b>Gross deferred income tax provision</b>	<b>4 643 898</b>	<b>4 259 640</b>	<b>384 259</b>	<b>(704 276)</b>



<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

Table No. 23

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

	as at 30.06.2006	Balance sheet as at 31.12.2005	Profit and loss account for the period from 01.01.2006 to 30.06.2006	Profit and loss account for the period from 01.01.2005 to 30.06.2005
<i>Deferred income tax assets</i>				
- provision for payroll	653 476	566 077	(87 399)	(606 908)
- provision for paid leaves	409 424	344 404	(65 020)	(47 606)
- provision for bonuses	380 000	380 000	0	190 000
- provision for agency depot commissions	155 460	124 450	(31 009)	(119 955)
- provision for costs of transport	125 582	76 000	(49 582)	(22 842)
- provision for costs of media	76 481	76 014	(467)	(7 273)
- provision for postal and telecommunication costs	34 222	39 876	5 655	(2 008)
- other provisions	806 138	1 442 071	635 933	509 216
- revaluation write-off on inventories	848 818	789 270	(59 548)	314 243
- allowance for bad debts	260 937	237 536	(23 401)	(76 491)
- income recognition	-	-	-	(381 273)
- deferment of rebates	1 412 517	1 287 395	(125 122)	40 761
- valuation of executive options recognised in equity	-	-	-	(60 839)
- liabilities under financial lease	174 523	-	(174 523)	-
- interests concern financial lease	1 661	-	(1 661)	-
<b>Gross deferred income tax assets</b>	<b>5 339 239</b>	<b>5 363 095</b>	<b>23 856</b>	<b>(270 973)</b>
Deferred income tax burden	X	X	408 114	(975 249)
<b>Net deferred income tax provision</b>	<b>-</b>	<b>-</b>	<b>X</b>	<b>X</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

**NOTE NO. 25.  
OTHER LONG-TERM PREPAYMENTS**

Other long-term prepayments are presented in Table No. 24.

*Table No. 24*

**OTHER LONG-TERM PREPAYMENTS AS AT 30 JUNE 2006**

	as at 30.06.2006	as at 31.12.2005
Rents	378 495	378 495
Other prepayments	19 484	17 762
	<b>397 978</b>	<b>396 256</b>

**NOTE NO. 26.  
NET SALES IN THE REPORTING PERIOD**

Net sales are presented in Table No. 25.

*Table No. 25*

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

	for the period from 01.01.2006 to 30.06.2006	for the period from 01.01.2005 to 30.06.2005
Sales of traded goods	848 774 770	781 721 825
Provision of services	23 491 935	20 673 745
<b>Total net sales</b>	<b>872 266 705</b>	<b>802 395 571</b>

**NOTE NO. 27.  
COSTS BY NATURE**

Costs by nature are presented in Table No. 26.

*Table No. 26*

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

	for the period from 01.01.2006 to 30.06.2006	for the period from 01.01.2005 to 30.06.2005
Amortisation	(13 561 867)	(12 261 026)
Materials and power	(5 669 984)	(5 090 440)
Third party services	(35 874 133)	(33 315 092)
Fees and taxes	(1 316 595)	(1 198 724)
Payroll	(27 367 809)	(25 123 571)
Social insurance and other benefits	(5 601 971)	(5 556 738)
Other costs by nature	(6 013 115)	(4 633 629)
<b>Costs by nature</b>	<b>(95 405 473)</b>	<b>(87 179 219)</b>
including:		
Costs of sales	(62 613 708)	(59 631 139)
Costs of general management	(32 791 766)	(27 548 079)

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

**NOTE NO. 28.  
OTHER OPERATING REVENUES AND COSTS**

Other operating revenues and costs are presented in Table No. 27.

*Table No. 27*

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

	for the period from 01.01.2006 to 30.06.2006	for the period from 01.01.2005 to 30.06.2005
<b>Other operating revenues</b>	<b>2 824 168</b>	<b>1 239 841</b>
Sub-lease of premises	306 865	324 814
Compensation received	51 237	100 483
Other sales	859 141	355 531
Other operating revenues	1 606 924	459 013
<b>Other operating costs</b>	<b>(4 655 381)</b>	<b>(3 940 157)</b>
Liquidation of damaged and expired goods	(1 241 539)	(1 332 172)
Inventory shortages	(1 571 961)	(1 717 617)
Other operating costs	(1 841 881)	(890 367)
<b>Net other operating revenues (costs)</b>	<b>(1 831 213)</b>	<b>(2 700 315)</b>

**NOTE NO. 29.  
FINANCIAL REVENUES AND COSTS**

Financial revenues and costs are presented in Table No. 28.

*Table No. 28*

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

	for the period from 01.01.2006 to 30.06.2006	for the period from 01.01.2005 to 30.06.2005
<b>Financial revenues</b>	<b>950 796</b>	<b>930 523</b>
Interest	965 929	690 935
Exchange gains	(38 502)	82 723
Other financial revenues	23 369	156 865
<b>Financial costs</b>	<b>(740 406)</b>	<b>(2 408 639)</b>
Interest	(209 413)	(1 572 608)
Bank fees	(330 143)	(474 913)
Exchange losses	(64 150)	(56 602)
Other financial costs	(136 701)	(304 516)
<b>Net financial revenues (costs)</b>	<b>210 389</b>	<b>(1 478 115)</b>

(Net) exchange gains (losses) are presented in Table No. 29.

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	<i>1 January – 30 June 2005</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of rounding:	<i>all amounts are denominated in Polish zlotys (unless provided otherwise)</i>		

Table No. 29

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

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

**NOTE NO. 30.  
RESULT ON DISCONTINUED OPERATIONS**

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

**NOTE NO. 31.  
EARNINGS PER SHARE**

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

Table No. 30

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

	for the period from 01.01.2006 to 30.06.2006	for the period from 01.01.2005 to 30.06.2005
<i>Earnings</i>		
Net earnings of a given year for the purpose of calculating earnings per share for distribution among shareholders	11 253 676	12 226 422
<b>Effect of dilution of ordinary shares:</b>		
Interest on bonds convertible into shares (after tax)	-	-
Earnings disclosed for the needs of calculating diluted earnings per share	<u>11 253 676</u>	<u>12 226 422</u>
<i>Number of issued shares</i>		
Weighted average number of shares disclosed for the needs of calculating diluted earnings per share	127 742 000	127 742 000
<b>Effect of dilution of a potential number of ordinary shares:</b>		
Share options	-	-
Bonds convertible into shares	6 802 100	6 387 100
Weighted average number of ordinary shares (for the needs of calculating diluted earnings per share)	<u>134 544 100</u>	<u>134 129 100</u>
<i>Continued operations</i>		
Net earnings of a given year to be distributed among shareholders	11 253 676	12 226 422
Exclusion of loss on discontinued operations	-	-
Net earnings on continued operations, upon excluding the result on discontinued operations	11 253 676	12 226 422
<b>Effect of dilution of the number of ordinary shares:</b>		
Interest on bonds convertible into shares (after tax)	-	-
Earnings on continued operations disclosed for the needs of calculating diluted earnings per share, upon excluding the result on discontinued operations	<u>11 253 676</u>	<u>12 226 422</u>

**Calculation of weighted average number of shares**

1<sup>st</sup> half of 2006

$$(127,742,000 \times 181 \text{ days}) / 181 \text{ days} = 127,742,000$$

1<sup>st</sup> half of 2005

$$(127,742,000 \times 181 \text{ days}) / 181 \text{ days} = 127,742,000$$

**Calculation of weighted average diluted number of shares**

1<sup>st</sup> half of 2006

$$(134.129.100 \times 180 / 180 \text{ days}) + (830.000 \times 90) / 180 \text{ days} = 134.544.100$$

1<sup>st</sup> half of 2005

$$(134.129.100 \times 180 / 180 \text{ days}) = 134.129.100.$$

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	<i>1 January – 30 June 2005</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of rounding:	<i>all amounts are denominated in Polish zlotys (unless provided otherwise)</i>		

#### **Description of share diluting factors**

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

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

#### **NOTE NO. 32. BOOK VALUE PER SHARE**

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

*Table No. 31*

#### **BOOK VALUE PER SHARE AS AT 30 JUNE 2006**

	na dzień 30.06.2006	na dzień 31.12.2005
Book value	167 348 213	175 749 434
Number of shares	127 742 000	127 742 000
Diluted number of shares	134 959 100	134 129 100
Book value per share	1,31	1,38
Diluted book value per share	1,24	1,31

#### **NOTE NO. 33. MERGER OF ENTERPRISES**

At 31<sup>st</sup> March 2006 Eurocash purchased 100% shares of KDWT, at the same time take over control above this company. From this moment the Company is capable of manage financial and operation politics of KDWT in order to achieve benefits.

#### **NOTE NO. 34. INFORMATION ABOUT RELATED COMPANIES**

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

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

Table No. 32

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

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

**NOTE NO. 35.  
INFORMATION ABOUT THE HEADCOUNT**

Information about the headcount as at 30 June 2005 is presented in Table No. 33.

Table No. 33

**HEADCOUNT AS AT 30 JUNE 2006**

	as at 30.06.2006	as at 31.12.2005
Number of employees	1 647	1 594
Number of full-time jobs	1 541	1 492

Information about the structure of employment as at 30 June 2005 is presented in Table No. 34.

Table No. 34

**STRUCTURE OF EMPLOYMENT AS AT 30 JUNE 2006**

	Depots and distribution centres	Head office	Total
Number of employees	1 453	194	1 647
Number of full-time jobs	1 349	192	1 541

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

Information about rotation of personnel as at 30 June 2005 is presented in Table No. 35.

Table No. 35

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

	for the period from 01.01.2006 to 30.06.2006	for the period from 01.01.2005 to 30.06.2005
Number of employees hired	318	417
Number of employees dismissed	(265)	(233)
	<b>53</b>	<b>184</b>

**NOTE NO. 36.  
OFF-BALANCE SHEET ITEMS**

As at 30 June 2006 the value of contingent liabilities due to granted bank guarantees amounted to PLN 6,929,162. Detailed specification is presented in Table No. 36.

Table No. 36

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

No.	Guarantee for	Title	Currency	as at 30.06.2006	as at 31.12.2005
1	Hewlett Packard	payments due to computer equipment lease	PLN	2 865 139	3 386 073
2	ELTA	payments due to lease of the Suwałki depot	PLN	222 793	371 322
3	TULIPAN	payments due to lease of the Komorniki distribution centre	EUR*	3 841 230	3 666 810
4	Ministry of Finance	guarantee of payment of awards in the "Pewniak" lottery	PLN	-	180 000
				<b>6 929 162</b>	<b>7 604 205</b>

\* converted at a rate of NBP as at 30 June 2006 = 4,0434

**NOTE NO. 37.  
ESSENTIAL POST-BALANCE SHEET EVENTS**

**Formation of subsidiary companies Eurocash Franszyza Sp. z o.o. and Eurocash Detal Sp. z o.o.**

On 24th March 2006 the company's deeds of Eurocash Franszyza Sp. z o.o. and Eurocash Detal Sp. z o.o. were concluded. The sole shareholder of both companies is Eurocash S.A. The share capital of each of the companies amounts PLN 50 thousand and has been fully covered. As at 30th June 2006 both companies have not been registered in KRS.

**Ordinary Shareholders' Meeting of Eurocash S.A.**

On 25th April 2006, the Ordinary Shareholders' Meeting of Eurocash S.A. decided, among others, about allocation of the net profit for 2005. In accordance with the recommendation expressed in the Resolution of the Supervisory Board no. 1 dated 10<sup>th</sup> April 2006, a decision was made that the net profit in the amount of PLN 32,566,149 would be divided in the following way:



<b>Separate financial statements of EUROCASH S.A.</b>			
<b>Reporting period:</b>	<b>1 January – 30 June 2005</b>	<b>Reporting currency:</b>	<b>Polish zloty (PLN)</b>
<b>Level of rounding:</b>	<b>all amounts are denominated in Polish zlotys (unless provided otherwise)</b>		

- PLN 20,438,720 will be allocated as a dividend amounting PLN 0.16 per one Company share. Parties being the shareholders of the Company on 19th May 2006 will be entitled to dividend payable by 30th June 2006,
- PLN 12,127,429 will be allocated to the supplementary capital of the Company, of which PLN 2,605,292 is 8% of the net profit, which allocation as the supplementary capital is required under art. 396 par. 1 of the Commercial Companies Code.

Detailed information relating to all Resolutions passed during the Ordinary Shareholders' Meeting of Eurocash S.A., on 25<sup>th</sup> April 2006 was announced by the Company in the current report dated 26<sup>th</sup> April 2006.

#### **Dividend distribution for 2005**

Pursuant to the decision made during the Ordinary Shareholders' Meeting on 25th April 2006, Eurocash S.A. paid the dividend in an amount of PLN 20,438,720 by 30th June 2006.

#### **Conclusion of preliminary agreements with regard to the acquisition of organized parts of an enterprise of Carment S.A.**

On 28th April 2006, Eurocash and its subsidiaries, i.e.: Eurocash Franszyza Sp. z o.o. („EC Franszyza”) and Eurocash Detal Sp. z o.o. („EC Detal”) concluded preliminary agreements with Carment S.A., with its registered seat in Krosno (hereinafter referred to as „Carment”) and the shareholders of the company, on the basis of which:

- Eurocash will acquire an organized part of the enterprise of Carment conducting wholesale operations, which in particular includes supplying the retail „Delikatesy Centrum” stores chain with FMCG goods,
- EC Franszyza will acquire an organized part of the enterprise of Carment including franchise chain of „Delikatesy Centrum” retail stores,
- EC Detal will acquire an organized part of the enterprise including 30 own Carment shops of the „Delikatesy Centrum” brand.

The condition precedent to conclusion of the final agreements is, among others, obtaining the approval of the President of the Office of Competition and Consumer Protection. The parties agreed that these agreements should be concluded not later than by 31st December 2006.

Additionally, Eurocash undertakes to grant the selected Shareholder of Carment rights to take over, as a part of management options, shares of Eurocash of the total amount of PLN 3,500,000, after 36 months from the day of conclusion of the final agreements, at the average price of Eurocash shares from 30 days proceeding the day of conclusion of the final agreements.

Moreover, in accordance with the concluded preliminary agreements, the shareholders currently employed by Carment, will, for the period of 36 months, conduct retail activity in 30 own shops of Carment which will be acquired by EC Detal, and will perform services relating to running daily operations and expansion of the „Delikatesy Centrum” stores chain for EC Franszyza.

Considering the fact that not all the conditions of concluding the above-mentioned final agreements have been fulfilled, there was no acquisition of organized parts of enterprise of Carment concluded, the control over the organized parts of the enterprise was not taken over, nor were they consolidated until the balance sheet date. In the nearest future, the Management Board of Eurocash S.A. expects the fulfillment or the waiver by the parties of the remaining conditions precedent.

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	<i>1 January – 30 June 2005</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Level of rounding:	<i>all amounts are denominated in Polish zlotys (unless provided otherwise)</i>		

**NOTE NO. 38.  
POST BALANCE-SHEET EVENTS**

**Capital increase of Eurocash Franszyza Sp. z o.o. and Eurocash Detal Sp. z o.o.**

On 11th August 2006, equity capital of Eurocash Franszyza Sp. z o.o. was increased to the amount of PLN 3,800,000 and of Eurocash Detal Sp. z o.o. to the amount of PLN 8,600,000.

The capital increases of the above-mentioned subsidiary companies were related to the acquisition of organized parts of enterprise of Carment.

**Conclusion of the final agreements relating to the acquisition of the organized parts of the enterprise of Carment M. Stodółka i Wspólnicy Sp. Jawna**

On 16th August 2006, Eurocash S.A. and its subsidiaries, i.e.: Eurocash Franszyza Sp. z o.o. („EC Franszyza”) and Eurocash Detal Sp. z o.o. („EC Detal”) concluded final agreements with Carment M. Stodółka i Wspólnicy Sp. Jawna, with its registered seat in Krosno (hereinafter referred to as „Carment”) and the partners of the company, to execute the preliminary agreements, the conclusion of which was announced by Eurocash in the current report no. 16/2006 dated 29<sup>th</sup> April 2006. On the basis of these agreements:

- Eurocash acquired an organized part of the enterprise of Carment intended to conduct wholesale operations, which in particular includes supplying the retail „Delikatesy Centrum” stores chain with FMCG goods,
- EC Franszyza acquired an organized part of the enterprise of Carment including franchise chain of „Delikatesy Centrum” retail stores,
- EC Detal acquired an organized part of the enterprise including 30 own Carment shops of the „Delikatesy Centrum” brand.

Additionally, Eurocash undertook to grant the selected Shareholder of Carment the rights to take over, as a part of management options, shares of Eurocash of the total amount of PLN 3,500,000, after 36 months from the day of conclusion of the final agreements, at the average price of Eurocash shares from 30 days proceeding the day of conclusion of the final agreements.

Moreover, in accordance with separate agreements concluded on the same day, the shareholders currently employed by Carment, will, for the period of 36 months, as the shareholders of FHC-2 Sp. z o.o.- spółka komandytowa conduct retail activity in 30 own shops of Carment acquired by EC Detal (on the basis of franchise agreements and space rental agreements), and will perform services related to running daily operations and expansion of the „Delikatesy Centrum” stores chain on the basis of service agreements.

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

**1. Interest received in cash flow**

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

**2. Diluted number of shares**

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

Number of shares: 127.742.000

<i>Separate financial statements of EUROCASH S.A.</i>			
Reporting period:	1 January – 30 June 2005	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are denominated in Polish zlotys (unless provided otherwise)		

Diluted number of shares: 140.516.200

Should be in report for I quarter of 2006:

Number of shares: 127.742.000

Diluted number of shares: 134.129.100

Should be in report for II quarter of 2006:

Number of shares: 127.742.000

Diluted number of shares: 134.959.100

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

#### SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President	Luis Amaral	27 September 2006	
Management Board Member Chief Executive Officer	Rui Amaral	27 September 2006	
Management Board Member Financial Executive Officer	Arnaldo Guerreiro	27 September 2006	
Management Board Member Sales Director	Pedro Martinho	27 September 2006	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	27 September 2006	
Management Board Member IT Director	Ryszard Majer	27 September 2006	
Management Board Member	Roman Piątkiewicz	27 September 2006	

**EUROCASH S.A.**

**REPORT OF THE MANAGEMENT BOARD**  
FOR THE PERIOD FROM 1<sup>st</sup> JANUARY 2006 TO 30<sup>th</sup> JUNE 2006

**TRANSLATORS' EXPLANATORY NOTE**

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

KOMORNIKI, 27<sup>th</sup> September 2006

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## 1 Management discussion of the financial results for 1H 2006

### Key financial and operational highlights in 1H 2006

- On 31st March 2006, Eurocash purchased 100% of shares in KDWT S.A. with its seat in Poznan („KDWT”), the 2nd biggest tobacco distributor in Poland with a market share of app. 9%. As a result of the transaction Eurocash Group is the 2nd biggest (in terms of sales) FMCG wholesaler in Poland. Eurocash started consolidation of KDWT as of 31st March 2006.
- On April 28, 2006 companies from Eurocash Group executed with Carment S.A. and its shareholders preliminary agreements regarding acquisition of Carment’s assets – among others franchise chain of retail stores under the “Delikatesy Centrum” brand and wholesale business–mainly supply of FMCG products to “Delikatesy Centrum” stores. The transaction was realised on August 16th 2006.
- Eurocash S.A. (Discount Cash&Carry) results:
  - Sales increased by **8.7%** in 1H 2006 comparing with 1H 2005
  - Gross margin amounted to **12.8%**
  - LFL sales growth (same number of stores) amounted to **5.4%**
  - Number of abc stores reached **2,342** at the end of 1H 2006
  - The share of abc stores in total sales of Discount Cash & Carry stores amounted to **43.7%** comparing with 38.8% in 1H 2005

**Table 1 Summary of financial results for 1H 2006**

PLN million	1H 2006	1H 2005	change 1H 2006 / 1H 2005
Sales revenues	872.27	802.40	8.71%
Gross profit/(loss) on sales (Gross profitability on sales %)	111.63 12.80%	106.99 13.33%	4.34% -0.54%
EBITDA (EBITDA margin%)	27.96 3.21%	29.37 3.66%	-4.82% -0.46%
EBIT (EBIT margin%)	14.40 1.65%	17.11 2.13%	-15.87% -0.48%
Gross profit	14.61	15.63	-6.57%
Net income	11.25	12.23	-7.96%
Net profitability %	1.29%	1.52%	-0.23%

### Profit and loss account

**Table 2 Sales analysis for 1H 2006**

PLN million	1H 2006	1H 2005	change 1H 2006 / 1H 2005
Sales revenues including:			
	872.27	802.40	8.71%
Revenues from sales of goods and materials (sales in discount Cash & Carry stores)	848.77	781.72	8.58%
Revenues from sales of products (profits from suppliers and abc franchise fee)	23.49	20.67	13.63%
Number of operating discounts	94	83	11
Sales in stores operating in 1H 2005 and in 1H 2006 (like-for-like).	777.58	737.70	5.40%

**Table 3 Costs analysis for 1H 2006**

PLN million	<b>1H 2006</b>	<b>1H 2005</b>	<b>change 1H 2006 / 1H 2005</b>
Gross profit/(loss) on sales	111.63	106.99	4.34%
<i>(Gross profitability on sales %)</i>	12.80%	13.33%	-0.54%
Sales costs	(62.61)	(59.63)	5.00%
<i>(as % of sales)</i>	7.18%	7.43%	-0.25%
Administrative costs:	(32.79)	(27.55)	19.03%
<i>(as % of sales)</i>	3.76%	3.43%	0.33%
Profit/loss on sales	16.23	19.81	-18.09%
<i>(as % of sales)</i>	1.86%	2.47%	-0.61%
Other operating income	2.82	1.24	128%
Other operating costs	(4.66)	(3.94)	18%
Operating profit – EBIT	14.40	17.11	-16%
<i>(EBIT margin %)</i>	1.65%	2.13%	-0.48%

In 1H 2006 gross profitability on sales amounted to 12.80% and was lower than in 1H 2005. Main reason was the level of margins realised in 1Q 2006 and although, gross margin on sales recovered in 2Q and amounted to 13.7%, it was insufficient to cover the lower margin realised in 1Q 2006.

### **Cash flow**

**Table 4 Cash flow for 1H 2006**

PLN million	<b>1H 2006</b>	<b>1H 2005</b>
Operating cash flow	34.58	54.09
<i>Gross profit (loss)</i>	14.61	15.63
<i>Depreciation</i>	13.56	12.26
<i>Change in working capital</i>	12.97	27.98
<i>Other</i>	(6.55)	(1.78)
Cash flow from investments	(49.69)	(18.84)
Cash flow from financing activities	(21.59)	(0.77)
<b>Total cash flow</b>	<b>(36.70)</b>	<b>34.48</b>

Total cash flow of Eurocash S.A. in 1H 2006 amounted to minus PLN 36.70 million. The main reasons for this negative number, despite the strong cash flow from operations (PLN 34.58 million) , were investments (PLN 49.69 million - mainly settlement of KDWT acquisition) and dividend payment realised in 2Q 2006 (PLN 20.44 million).

### **Working capital ratios**

**Table 5 Working capital ratios flow for 1H 2006**

<b>Turnover in days</b>	<b>1H 2006</b>	<b>1H 2005</b>
1. Stocks turnover	27.6	25.9
2. Trade receivables turnover	8.9	7.8
3. Trade liabilities turnover	62.9	58.1
<b>4. Operating cycle (1+2)</b>	<b>36.5</b>	<b>33.7</b>
<b>5. Cash conversion (4-3)</b>	<b>(26.4)</b>	<b>(24.4)</b>

The cash conversion cycle was improved comparing with 1H 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 6 Eurocash S.A.: Selected balance sheet items**

PLN million	30.06.2006		31.12.2005		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%
<b>Total assets</b>	<b>476,46</b>	<b>100,00%</b>	<b>477,25</b>	<b>100,00%</b>	<b>409,37</b>	<b>100,00%</b>
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%
<b>Total liabilities and equity</b>	<b>476,46</b>	<b>100,00%</b>	<b>477,25</b>	<b>100,00%</b>	<b>409,37</b>	<b>100,00%</b>

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

### **Evaluation of financial resources management**

The Company's cash position amounted at the end of 1H 2006 to PLN 62.34 million and the Company had no bank debt. Due to the negative working capital, the Company generates significant positive cash flows from operating activities. All major investments realised in 1H 2006 and dividend payment were financed from Eurocash own financial resources.

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

#### **Ratios definitions**

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

### ***Development of the chain of “abc” shops***

As at the end of 1H 2006 the “abc” chain comprised of 2,342 shops.

### ***Incentive schemes***

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

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

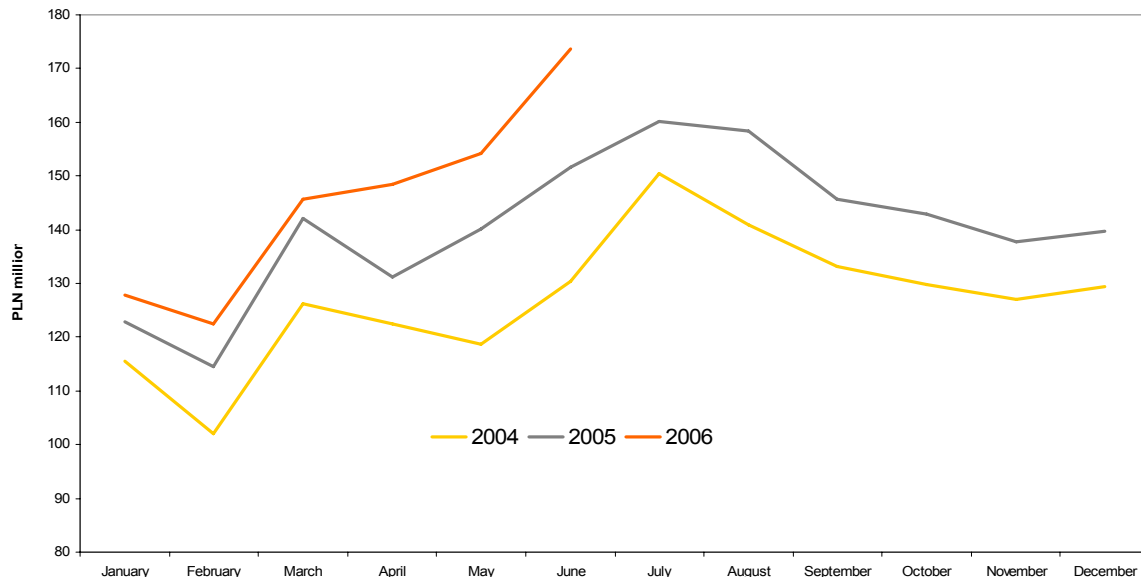
The number of shares in the incentive scheme for specified employees of the Company and KDWT (series E shares) shall not exceed 1,596,775 shares and the issue price of one Series E share shall equal to the average market price of Eurocash shares in November 2006, adjusted by the exercised rights attached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

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

## 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.



## 3 Major risks and threats related to the operational activities

### External factors

#### *Macroeconomic situation. Purchasing power of the population*

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

#### *The structure of the FMCG retail distribution market in Poland*

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

#### *The structure of the traditional FMCG distribution channel. Competition*

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

**Internal factors***IT systems*

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

*New investments*

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

*Suppliers*

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

**4 Development perspectives****External factors:***Growth in the FMCG market and its structure.*

The Company expects further growth of modern distribution channels; its unfavourable impact on company's income will be compensated by growth of the FMCG market in absolute terms and consolidation in the traditional wholesale market.

*Fuel prices.*

As logistic expenses, closely connected with fuel prices, are a vital part of selling expenses, their substantial changes may influence the Company's profit and loss.

**Internal factors:***Integration of KDWT operations and business acquired from Carment*

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

*New business formats*

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

*Organic expansion*

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 of new locations.

## 5 Representations of the Management Board

### *Accuracy and reliability of the reports presented*

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

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

### *Appointment of the entity qualified to audit financial statements*

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

### **Signatures of the Management Board Members**

<b>Position</b>	<b>Name and surname</b>	<b>Date</b>	<b>Signature</b>
President	Luis Amaral	27 September 2006	
Management Board Member Chief Executive Officer	Rui Amaral	27 September 2006	
Management Board Member Financial Executive Officer	Arnaldo Guerreiro	27 September 2006	
Management Board Member Sales Director	Pedro Martinho	27 September 2006	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	27 September 2006	
Management Board Member IT Director	Ryszard Majer	27 September 2006	
Management Board Member	Roman Piątkiewicz	27 September 2006	