EUROCASH S.A.

CONSOLIDATED ANNUAL REPORT FOR 2008

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, 27th April 2009

CONTENTS

Dear Shareholders,

Dear Employees,

Ladies and Gentlemen,

It is my pleasure to once more write to all our stakeholders about our activities and results of last year. The year had two different phases: the first,– until September, during which our Group grew at impressive double-digit rates in like-for-like terms and the second from September on, during which the market slowed down and we decided to get ready for a tough 2009.

Regardless I have no doubts in congratulating all our partners for the good year of 2008, in which Eurocash Group sales grew by 29.7% reaching PLN 6.1 billion, EBITDA grew by 29.6% up to PLN 158.5 million and Net Profit grew by 33.2% reaching PLN 78.5 million.

In the Cash & Carry business we kept the excellent momentum and increased our market share through not only like-for-like growth but also through the opening of 9 new stores and we finished the year with 111 Cash & Carry stores and very strong financial results.

In the KDWT business we faced a declining tobacco market but we kept implementing the strategy of becoming the main wholesaler of impulse products and, most importantly in last quarter of 2008 we adapted our structure to the new reality in order to anticipate the need for improved competitiveness in 2009.

Delikatesy Centrum had another great year where it was recognized as the best franchise system in the grocery market, achieving the highest sales among food retail chains in Poland in terms of sales per sq.m. We added 81 new franchise stores to the Delikatesy Centrum chain and improved profitability both for Eurocash and, more importantly for our franchisees.

During this year we acquired McLane Polska - a company which is the leader in food distribution for Gasoline Stations and Food Service in Poland, two segments where Eurocash Group aspires to achieving market leadership. During the second half of 2008 we have been working on the turnaround of this company, which had excellent levels of service but was never profitable. We believe, that we have been very successful introducing our management philosophy and that McLane Polska will improve its results and significantly contribute to Eurocash Group profits in 2009.

During 2008 we not only clearly reinforced our market leadership in FMCG wholesale, but also we were loyal to the principle of never competing with our clients and of committing ourselves to reinforce their competitiveness in the Polish food market .Our strategy of attacking all the food wholesale segments allows us to bring buying power and professionalism to the supply chain at the best levels offered in Europe.

During the last quarter of 2008, when it was clear for us that the market has been getting tougher we reacted fast – we prepared cost reduction programs that should allow us to further improve our competitiveness and face 2009 not as the year of threats but as a year of opportunity to gain market share and to give better prices to our customers.

Finally I want to thank to the almost 4.000 employees and 60.000 clients that stay side by side with us everyday, building OUR company. I want to thank also to our shareholders for the trust which they have been showing in our strategy, which allowed our shares to significantly outperform the Polish stock market in 2008..

I believe that 2009 will be once again a great year for us and that the consistency of our strategy and of the implementation capacity that our team has showed in the last 5 years will be our ultimate advantage to serve our clients better and better.

Yours Sincerely,

Luis Amaral

President of the Management Board

Eurocash S.A.

KPMG

TRANSLATION

Eurocash S.A. Group

Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2008

The opinion contains 2 pages
The report supplementing the auditor's opinion
contains 13 pages
Opinion of the independent auditor
and report supplementing the auditor's opinion
on the consolidated financial statements
for the finacial year ended
31 December 2008

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Eurocash S.A.

We have audited the accompanying consolidated financial statements of Eurocash S.A. Group seated in Komorniki, 11 Wiśniowa street ("the Group"), which comprise the consolidated balance sheet as at 31 December 2008, with total assets and total liabilities and equity of PLN 1.224.250.415 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 78.456.323 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 50.057.053 thousand, the consolidated cash flow statement for the year then ended with an increase in cash amounting to PLN 12.688.177 thousand and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management of the parent entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and with other applicable regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) ("the Accounting Act"), the professional standards established by the Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements of Eurocash S.A. Group have been prepared and present fairly in all material respects the financial position of the Group as at 31 December 2008 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Other Matters

As required under the Accounting Act we also report that the Report on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259) and the information is consistent with the consolidated financial statements.

Signed on the Polish original
....
Certified Auditor No. 90095/7973
Wojciech Drzymała

Signed on the Polish original
....
For KPMG Audyt Sp. z o.o.
ul. Chłodna 51; 00-867 Warsaw
Certified Auditor No. 90061/7541
Marek Gajdziński,
Member of the Management Board

27 April 2009, Poznań

TRANSLATION

Eurocash S.A. Group

Report supplementing the auditor's opinion on the consolidated financial statements

Financial Year ended
31 December 2008

The report supplementing the auditor's opinion
contains 13 pages
Report supplementing the auditor's opinion
on the consolidated financial statements
for the financial year ended
31 December 2008

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Contents

1 General

1.1 Identification of the Group

1.1.1 Name of the Group

Eurocash S.A. Group

1.1.2 Registered office of the Parent Company of the Group

11 Wiśniowa Street
62-052 Komorniki

1.1.3 Registration of the Parent Company in the National Court Register

Registration court:	District Court Poznań – Nowe Miasto i Wilda in Poznań, VIII Commercial Department of the National Court Register
Date:	30 July 2004
Registration number:	KRS 0000213765

1.1.4 Registration of the Parent Company in the Tax Office and Statistical Office

NIP number:	7791906082
REGON:	631008941

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2008, the following companies were consolidated by the Group:

Parent Company:

- Eurocash S.A.

Fully consolidated subsidiaries:

- KDWT S.A.,
- Eurocash Franszyza Sp. z o.o.,
- McLane Polska Sp. z o.o.,
- Nasze Sklepy Sp. z o.o.

The following subsidiaries were consolidated for the first time during the year ended 31 December 2008, as a result of the Parent Company acquiring a controlling interest:

- McLane Polska Sp. z o.o. – subject to consolidation for the period from 1 May 2008 to 31 December 2008,
- Nasze Sklepy Sp. z o.o. – subject to consolidation for the period from 15 May 2008 to 31 December 2008.

The following subsidiaries were consolidated until the date of control by the Parent ceased:

- Eurocash Detal Sp. z o.o. – subject to consolidation for the period from 1 January 2008 to 30 November 2008.

1.2.2 Entities excluded from consolidation

As at 31 December 2008, all subsidiaries comprising the Group were consolidated.

1.3 Auditor information

Name:	KPMG Audyt Sp. z o.o.
Registered office:	Warsaw
Address:	ul. Chłodna 51, 00-867 Warsaw
Registration number:	KRS 0000104753
Registration court:	District Court for the Capital City Warsaw in Warsaw, XII Commercial Department of the National Court Register
Share capital:	PLN 125,000
NIP number:	526-10-24-841

KPMG Audyt Sp. z o.o. is entered in the register of entities authorised to audit financial statements under number 458.

1.4 Legal status

1.4.1 Share capital

The Parent Company was established for an indefinite period under the terms of its Statute dated 7 July 2004.

The share capital of the Parent Company amounted to PLN 130.777.550 as at 31 December 2008 divided into 130.777.550 ordinary shares with a nominal value of PLN 1 each. In comparison to the previous year share capital increased by 3.035.550 shares with a nominal value of PLN 1 each due to the exercising the managerials' convertible bonds. As at the date of this report the increase of the share capital has not been registered in the National Court Register.

As at 31 December 2008, the shareholder structure was as follows:

Name of the Shareholder	Number of shares	Voting rights (in %)	Book value of shares PLN'000	Percentage of share capital (in %)
Luis Amaral (directly and indirectly through Politra B.V.)	70 258 100	53,7%	70 258,1	53,7%
Commercial Union OFE BPH CU WBK	7 739 424	5,9%	7 739,4	5,9%
ING OFE	6 843 714	5,2%	6 843,7	5,2%
BZ WBK AIB Asset Management SA	6 624 215	5,1%	6 624,2	5,1%
Others< 5%	39 312 097	30,1%	39 312,1	30,1%
	130 777 550	100,0%	130 777,6	100,0%

1.4.2 Management of the Parent Company

The Management Board is responsible for management of the Parent Company.

At 31 December 2008, the Management Board of the Parent Company was comprised of the following members:

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

On 3 March 2008 Roman Stefan Piątkiewicz resigned from a position of a Member of the Management Board.

On 22 November 2008 Jacek Owczarek was appointed to the Management Board.

1.4.3 Scope of activities

The main business activities listed in the Parent Company's Statute is general wholesale trade (PKD 4690Z).

The business activities of subsidiaries of the Group are related to Parent Company’s main business activities

1.5 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2007 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The consolidated financial statements were approved at the General Meeting on 14 August 2008.

The closing balances as at 31 December 2007 have been properly recorded as the opening balances of the audited year.

The consolidated financial statements were submitted to the Registry Court on 5 September 2008 and were published in Monitor Polski B No. 428 on 17 March 2009.

1.6 Audit scope and responsibilities

This report was prepared for the General Meeting of Eurocash S.A. seated in Komorniki, 11 Wiśniowa street and relates to the consolidated financial statements comprising: the consolidated balance sheet as at 31 December 2008, with total assets and total liabilities and equity of PLN 1.224.250,4 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 78.456,3 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 50.057,1 thousand, the consolidated cash flow statement for the year then ended with an increase in cash amounting to

PLN 12.688,2 thousand, and the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

The Parent Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of General Meeting of Eurocash S.A. dated 11 April 2005.

The consolidated financial statements have been audited in accordance with the contract dated 8 July 2008 , concluded on the basis of the resolution of Supervisory Board dated 10 May 2007 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act, the professional standards established by the Polish National Council of Certified Auditors and International Standards on Auditing.

We audited the consolidated financial statements in the Parent Company's head office during the period from 1 December 2008 to 12 December 2008 and from 2 February 2009 to 6 March 2009.

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

Management of the Parent Company and members of the Supervisory Board are obliged to ensure that the consolidated financial statements and the Report of Managements Board on the Group's activities are in compliance with the requirements set forth in the Accounting Act.

Our responsibility is to express an opinion, and to prepare a supplementing report, on the financial statements.

The Management Board of the Parent Company submitted a statement, dated the same date as this report, as to the true and fair presentation of the consolidated financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements.

All our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

KPMG Audyt Sp. z o.o., the members of its Management Board and Supervisory Board and other persons involved in the audit of the consolidated financial statements fulfil independence requirements from the companies included in the Group. The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Sp. z o. o.

1.7 Information on audits of the financial statements of the consolidated companies

1.7.1 Parent Company

The financial statements of the Parent Company for the year ended 31 December 2008 were audited by KPMG Audyt Sp. z o.o., certified auditor number 458, and received an unqualified opinion.

1.7.2 Other consolidated entities

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
KDWT S.A.	KPMG Audyt Sp. z o.o.	31 December 2008	unqualified
McLane Polska Sp. z o.o	KPMG Audyt Sp. z o.o.	31 December 2008	unqualified
Eurocash Franszyza Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2008	unqualified
Nasze Sklepy Sp. z o.o.	audit not required	31 December 2008	not applicable

2 Financial analysis of the Group

2.1 Summary of the consolidated financial statements

2.1.1 Consolidated balance sheet

Assets	**31.12.2008 zł '000**	**% of total**	**31.12.2007 zł '000**	**% of total**
Fixed assets (long-term)	**408 484,9**	**33,4**	**278 277,4**	**32,0**
Goodwill	68 522,7	5,6	33 823,7	3,9
Intangible fixed assets	154 839,3	12,7	121 508,1	14,0
Tangible fixed assets	171 739,2	14,0	121 036,4	13,9
Investments in associated companies - equity method	1 710,9	0,1	-	-
Other long-term financial assets	102,0	0,1	-	-
Long-term receivables	5 853,0	0,5	1 872,3	0,2
Deferred income tax assets	3 996,7	0,3	-	-
Long-term prepayments	1 721,2	0,1	36,9	0,1
Current assets (short-term)	**815 765,5**	**66,6**	**591 450,5**	**68,0**
Invetories	312 265,1	25,5	224 861,2	25,9
Trade receivables	321 212,7	26,2	220 114,0	25,3
Current income tax receivables	-	-	9,9	0,1
Other short-term receivables	32 454,4	2,7	13 110,6	1,5
Cash and cash equivalents	144 149,4	11,8	131 461,2	15,1
Short-term prepayments	5 684,0	0,5	1 893,6	0,2
Total assets	**1 224 250,4**	**100,0**	**869 727,9**	**100,0**

Liabilities	**31.12.2008 zł '000**	**% of total**	**31.12.2007 zł '000**	**% of total**
Equity	**283 450,9**	**23,2**	**233 393,8**	**26,8**
Share capital	130 777,6	10,7	127 742,0	14,7
Reserve capital	77 208,1	6,3	47 111,0	5,4
Hedge instrument valuation reserve	(4 645,0)	0,4	-	-
Retained earnings	79 549,4	6,5	58 540,8	6,7
Profit/ (loss) of prior years	1 062,0	0,1	(340,0)	(0,1)
Net profit of the current year	78 487,4	6,4	58 880,8	6,8
Minority interests	560,9	0,1	-	-
Liabilities	**940 799,5**	**76,9**	**636 334,1**	**73,2**
Long-term liabilities	**53 754,4**	**4,4**	**16 892,4**	**1,9**
Long-term financial liabilities	23 421,8	1,9	11 222,7	1,3
Deferred income tax provision	12 893,8	1,1	5 374,9	0,6
Provision for employee benefits	294,8	0,1	294,8	0,1
Other long-term provisions	17 144,0	1,4	-	-
Short-term liabilities	**887 045,2**	**72,5**	**619 441,7**	**71,2**
Short-term loans and credits	68 474,4	5,6	73 148,4	8,4
Short-term financial liabilities	7 489,0	0,6	2 520,6	0,3
Trade liabilities	755 086,4	61,7	505 350,1	58,1
Current income tax liabilities	6 148,5	0,5	3 134,2	0,4
Short-term liabilities	18 462,9	1,5	15 974,1	1,8
Employee benefits liabilities	14 128,6	1,2	11 246,3	1,3
Short-term provisions and accruals	17 255,3	1,4	8 068,1	0,9
Total equity and liabilities	**1 224 250,4**	**100,0**	**869 727,9**	**100,0**

2.1.2 Consolidated profit and loss account

	1.01.2008 - 31.12.2008	% of total sales	1.01.2007 - 31.12.2007	% of total sales
Continued operations	**zł '000**		**zł '000**	
Net sales	**6 129 738,3**	**100,0**	**4 726 055,8**	**100,0**
Net sales of traded goods	5 979 744,6	97,6	4 638 343,9	98,1
Net sales of services	149 993,7	2,5	87 711,9	1,9
Prime costs of sales	**(5 588 547,3)**	**91,2**	**(4 324 456,8)**	**91,5**
Costs of goods sold	(5 562 643,9)	90,8	(4 306 162,9)	91,1
Costs of services sold	(25 903,4)	0,4	(18 293,9)	0,4
Gross profit on sales	**541 190,9**	**8,8**	**401 599,1**	**8,5**
Selling expenses	(278 057,7)	4,5	(221 964,1)	4,7
General and administrative expenses	(137 047,2)	2,2	(87 283,5)	1,9
Profit on sales	**126 086,1**	**2,1**	**92 351,5**	**2,0**
Other operating revenues	15 212,9	0,3	12 301,4	0,3
Other operating costs	(25 795,6)	0,4	(18 058,4)	0,4
Operating profit	**115 503,4**	**1,9**	**86 594,6**	**1,8**
Financial revenues	3 038,7	0,1	1 776,4	0,1
Financial costs	(22 101,3)	0,4	(13 460,8)	0,3
Share in losses of companies consolidated with the equity method	(1 753,4)	0,1	-	-
Profit before tax	**94 687,4**	**1,5**	**74 910,2**	**1,6**
Income tax	(16 319,9)	0,3	(16 309,3)	0,4
Net profit on continued operations	**78 367,5**	**1,3**	**58 600,9**	**1,2**
Discontinued operations				
Net profit on discontinued operations	88,8	-	280,0	0,1
Net profit	**78 456,3**	**1,3**	**58 880,8**	**1,3**
Attributable to:				
Equity holders of the parent	78 487,4		58 880,8	
Minority interest	(31,1)		-	
Basic earnings per share (PLN)	0,60		0,45	
Diluted earnings per share (PLN)	0,58		0,44	
Basic earning per share of continuing operations (PLN)	0,60		0,45	
Diluted earnings per share of continuing operations (PLN)	0,58		0,44	

2.2 Selected financial ratios

	2008	2007	2006
1. Return on sales			
net profit x 100% / net revenues	1,3%	1,2%	1,3%
2. Return on equity			
net profit x 100% / equity - net profit	38,3%	33,7%	26,4%
3. Debtors day's			
trade receivables (gross) x 365 days / net revenues	19 days	17 days	17 days
4. Debt ratio			
liabilities x 100% / equity and liabilities	76,8%	73,2%	71,5%
5. Current ratio			
current assets / current liabilities	0,9	1,0	0,9

- Net revenues are comprised of the sale of finished products, merchandise and raw materials.
- Trade receivables (gross) represent of trade receivables at the end of the period, excluding allowances for receivables.

2.3 Interpretation of selected financial ratios

Return on sales and return on equity
Return on sales ratio remained at a similar level compared to the previous years.

Return on equity increased compared to the previous year by 4,6 percentage points mainly due to the increase in net profit for 2008.

Debtors day's
Debtors' days ratio increased by 2 days mainly due to the increase in trade receivables.

Debt ratio
Debt ratio increased by 3,6 percentage points. The increase in debt ratio is mainly a result of the increase in trade liabilities, which is in line with the increase in the scale of the Group's activities.

Current ratio
Current ratio remained at a similar level compared to the previous years and amounted to 0,9.

3 Detailed report

3.1 Accounting principles

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

In view of the fact that not all entities being part of the Group apply common accounting principles consistent with the accounting principles applied by the Parent Company, appropriate adjustments to the financial statements of those entities were made to ensure consistency with the accounting principles applied by the Parent Company.

The financial statements of the entities included in the consolidated financial statements were prepared at the same balance sheet date as the financial statements of the Parent Company.

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Eurocash S.A. Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements of the Decree of the Ministry of Finance dated 12 December 2001 on principles for the preparation of financial statements of related entities by entities other than banks and insurance companies. (Official Journal from 2001, No 152, item 1729)

3.3 Method of consolidation

The method of consolidation is described in note 2.27 of the notes to the consolidated financial statements.

3.4 Goodwill arising on consolidation

The method of calculating goodwill arising on consolidation is described in note 2.27 of the notes to the consolidated financial statements.

3.5 Consolidation of equity and calculation of minority interest

The share capital of the Group is equal to the share capital of the Parent Company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent

Company's share in the subsidiaries' equity as at the balance sheet date to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiaries arising after the Parent Company obtained control of the subsidiary is included in the equity of the Group.

Minority interests in subsidiaries included in the consolidated financial statements were determined based on the minority shareholders' share in the subsidiaries' equity as at the balance sheet date.

3.6 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Eurocash S.A. and were agreed with information received from the subsidiaries.

3.7 Notes to the consolidated financial statements

All information included in the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes, is, in all material respects, presented accurately and completely. This information should be read in conjunction with the consolidated financial statements taken as a whole.

3.8 Report of the Management Board of the Parent Company on the Group's activities

The Report of the Management Board of the Parent Company on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259) and the information is consistent with the consolidated financial statements.

3.9 Information on the opinion of the independent auditor

Based on our audit of the consolidated financial statements, of the Group as at and for the year ended 31 December 2008, we have issued an unqualified opinion.

Signed on the Polish original
....
Certified Auditor No. 90095/7973
Wojciech Drzymała

Signed on the Polish original
....
For KPMG Audyt Sp. z o.o.
ul. Chłodna 51; 00-867 Warsaw
Certified Auditor No. 90061/7541
Marek Gajdziński,
Member of the Management Board

27 April 2009, Poznań

EUROCASH S.A.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2008 TO 31 DECEMBER 2008

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, 27th April 2009

CONTENTS

GENERAL INFORMATION

1. INFORMATION OF THE PARENT COMPANY

1.1. PARENT COMPANY NAME

EUROCASH Spółka Akcyjna

1.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

1.3. CORE BUSINESS

Other wholesale (PKD 4690Z)

1.4. REGISTRY COURT

District Court Poznań -Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register,
Entry no KRS 00000213765

1.5. DURATION OF THE CAPITAL GROUP

Indefinite

1.6. PERIOD COVERED BY THE FINANCIAL STATEMENTS

The reporting period 1st January 2008 – 31st December 2008 and comparable periods: 1st January 2007 – 31st December 2007.

2. INFORMATION OF THE COMPANY'S SUBSIDIARIES AND ASSOCIATES

2.1. KDWT S.A.

2.1.1. COMPANY NAME

KDWT Spółka Akcyjna

2.1.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

2.1.3. CORE BUSINESS

Tobacco wholesale (PKD 4635Z)

2.1.4. SHARE CAPITAL

7.380.000,00 PLN

2.1.5. OWNERSHIP PERCENTAGE AS AT 31ST DECEMBER 2008

100%

2.2. EUROCASH FRANSZYZA SP. Z O.O.

2.2.1. COMPANY NAME

„EUROCASH FRANSZYZA" Spółka z ograniczoną odpowiedzialnością

2.2.2. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

2.2.3. CORE BUSINESS

Other commercial sale (PKD 8299Z))

2.2.4. SHARE CAPITAL

3.800.000,00 PLN

2.2.5. OWNERSHIP PERCENTAGE AS AT 31ST DECEMBER 2008

100%

2.3. MCLANE POLSKA SP. Z O.O.

2.3.1. COMPANY NAME

MCLANE POLSKA" Spółka z ograniczoną odpowiedzialnością

2.3.2. REGISTERED OFFICE

ul. Pass 20C, 05-870 Błonie

2.3.3. CORE BUSINESS

Other wholesale (PKD 4690Z)

2.3.4. SHARE CAPITAL

150.158.950 PLN

2.3.5. OWNERSHIP PERCENTAGE AS AT 31ST DECEMBER 2008

100%

2.4. PAYUP POLSKA S.A

2.4.1. COMPANY NAME

PayUp Polska S.A.

2.4.2. REGISTERED OFFICE

Al. Solidarności 46, 61-696 Poznań

2.4.3. CORE BUSINESS

Wireless telecommunication (PKD 6120Z)

2.4.4. SHARE CAPITAL

7.000.000 PLN

2.4.5. OWNERSHIP PERCENTAGE AS AT 31ST DECEMBER 2008

49%

2.5. NASZE SKLEPY SP. Z O.O.

2.5.1. COMPANY NAME

Nasze Sklepy Spółka z ograniczoną odpowiedzialnością

2.5.2. REGISTERED OFFICE

ul. Kąpielowa 18, 21-500 Biała Podlaska

2.5.3. CORE BUSINESS

Retail sales food, drinks and tobacco (PKD 4711Z)

2.5.4. SHARE CAPITAL

127.000 PLN

2.5.5. OWNERSHIP PERCENTAGE AS AT 31ST DECEMBER 2008

53,39%

3. AUTHORITIES OF THE COMPANY'S

3.1. MANAGEMENT BOARD OF DOMINANT UNIT

As at 31st December 2008 the Company's Management Board consisted of the following members:

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

3.2. MANAGEMENT BOARD OF SUBSIDIARIES AND ASSOCIATES

As at 31st December 2008 the Management Board of the Subsidiaries and Associates consisted of the following members:

KDWT S.A.:
Arnaldo Guerreiro – Management Board Member.

Eurocash Franszyza Sp. z o.o.:
Pedro Martinho – President of the Management Board,
Katarzyna Kopaczewska – Management Board Member,
Michał Bartkowiak – Management Board Member.

Spółka McLane Polska sp. z o. o.:
Arnaldo Guerreiro – President of the Management Board,
Geoffrey Crossley – Management Board Member,
Johny Baird – Management Board Member.
Katarzyna Kopaczewska – Management Board Member.
Jacek Owczarek – Management Board Member.

Spółka PayUp Polska S.A.
Luis Janeiro – President of the Management Board,
Zbigniew Furmańczak – Management Board Member,
Geoffrey Crossley – Management Board Member,
Cristina Ascencao– Management Board Member,
Miłosz Awedyk – Management Board Member,

Spółka Nasze Sklepy sp. z o. o.:
Ireneusz Ługowski – President of the Management Board,
Pedro Martinho – Management Board Member,
Michał Bartkowiak – Management Board Member.

3.3. SUPERVISORY BOARD

As at 31st December 2008 the Company's Supervisory Board consisted of the following members:

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

3.4. SUPERVISORY BOARD OF SUBSIDIARIES AND ASSOCIATES

As at 31st December 2008 the Supervisory Board of the Subsidiaries and Associates consisted of the following members:

KDWT S.A.:
Luis Manuel Conceicao Do Amaral – President of the Supervisory Board,
Rui Amaral – Supervisory Board Member,
Pedro Martinho – Supervisory Board Member.

Spółka McLane Polska Sp. z o. o.
Luis Manuel Conceicao Do Amaral – President of the Supervisory Board,,
Robert Dayton McLane – Supervisory Board Member,
Ben Hansen – Supervisory Board Member.

Spółka PayUp Polska S.A.
Luis Manuel Amaral – President of the Supervisory Board,
Artur Lebiedziński - Supervisory Board Member,
Mahomed Iqbal - Supervisory Board Member.

Spółka Nasze Sklepy sp. z o.o.
Adam Krzysztof Abramowicz – Supervisory Board Member,
Rui Amaral – Supervisory Board Member,
Katarzyna Kopaczewska – Supervisory Board Member.

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

Effective March 3rd , 2008 Roman Stefan Piątkiewicz resigned from the position of Member of the Company's Management Board.

Effective March 3rd , 2008 Roman Stefan Piątkiewicz resigned from the position of President of the Management Board of KDWT S.A.

Effective March 3rd , 2008 Mieczysław Kuśnierczak resigned from the position of Vice-president of the Management Board of KDWT S.A.

Effective June 27th, 2008 Terry Kaily resigned from the position of Member of the Management Board of McLane Sp. z o.o..

Effective July 7th , 2008 Nuno Oliveira resigned from the position of Member of the Management Board of PayUp Polska S.A

Effective August 29th 2008 Piotr Fedorczuk resigned from the position of President of the Management Board of Nasze Sklepy Sp. z o.o.

Effective October 15th , 2008 Robert Schneyder resigned from the position of Member of the Management Board of McLane Sp. z o.o.

Effective February 24th , 2009 Miłosz Awedyk resigned from the position of Member of the Management Board of PayUp S.A.

Effective March 31st marca, 2009 Michał Bartkowiak resigned from the position of Member of the Management Board of Nasze Sklepy Sp. z o.o.

Effective March 31st marca, 2009 Michał Bartkowiak resigned from the position of Member of the Management Board of Eurocash Franszyza Sp. z o.o.

Effective November 22nd , 2008 Jacek Owczarek was appointed to the position of Member of the Campany's Management Board

Effective November 1st , 2008 Jacek Owczarek was appointed to the position of Member of the Management Board of McLane Polska Sp. z o.o.

Effective November 14th , 2008 Arnaldo Guerreiro was appointed to the position of President of the Management Board of McLane Polska Sp. z o.o.

Effective April 30st , 2008 Geoffrey Crossley was appointed to the position of Member of Management Board of McLane Polska Sp. z o.o.

Effective December 1st , 2008 Katarzyna Kopaczewska was appointed to the position of Member of Management Board of McLane Polska Sp. z o.o.

Effective May 14th , 2008 Adam Krzysztof Abramowicz was appointed to the position of Member of Supervisory Board of Nasze Sklepy Sp. z o.o.

Effective May 14th , 2008 Rui Amaral was appointed to the position of Member of Supervisory Board of Nasze Sklepy Sp. z o.o.

Effective May 14th , 2008 Katarzyna Kopaczewska was appointed to the position of Member of Supervisory Board of Nasze Sklepy Sp. z o.o.

Effective November 6th , 2008 Luis Amaral was appointed to the position of Chairman of Supervisory Board of McLane Sp. z o.o.

Effective November 6th , 2008 Ben Hansen was appointed to the position of Member of Supervisory Board of McLane Sp. z o.o.

Effective November 6th , 2008 Dayton McLane was appointed to the position of Member of Supervisory Board of McLane Sp. z o.o.

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

SELECTED CONSOLIDATED FINANCIAL DATA

	for the period 01.01.2008 to 31.12.2008 PLN	for the period 01.01.2007 to 31.12.2007 PLN	for the period 01.01.2008 to 31.12.2008 EUR	for the period 01.01.2007 to 31.12.2007 EUR
Net sales	6 129 738 287	4 726 055 830	1 743 086 586	1 249 320 847
Operating profit (loss)	115 503 400	86 594 597	32 845 191	22 891 062
Profit (loss) before tax	94 687 390	74 910 182	26 925 835	19 802 316
Net Profit (loss) on continued operations	78 367 492	58 600 864	22 285 017	15 490 989
Net profit (loss)	78 456 323	58 880 826	22 310 278	15 564 997
Net operating cash flow	240 457 120	185 267 290	68 377 728	48 974 937
Net investment cash flow	(169 873 254)	(61 799 640)	(48 306 107)	(16 336 578)
Net financial cash flow	(57 895 689)	(33 253 087)	(16 463 541)	(8 790 369)
Net change in cash and cash equivalents	12 688 177	90 214 564	3 608 081	23 847 991
Weighted average number of shares	130 969 660	130 928 889	130 969 660	130 928 889
Weighted average diluted number of shares	134 301 128	132 671 679	134 301 128	132 671 679
EPS (in PLN / EUR)	0,60	0,45	0,17	0,12
Diluted EPS (in PLN / EUR)	0,58	0,44	0,17	0,12
Average PLN / EUR rate*			3,5166	3,7829

	as at 31.12.2008 PLN	as at 31.12.2007 PLN	as at 31.12.2008 EUR	as at 31.12.2007 EUR
Assets	1 224 250 415	869 727 918	293 416 359	242 805 114
Long-term liabilities	53 754 345	16 892 355	12 883 315	4 715 900
Short-term liabilities	887 045 189	619 441 735	212 598 310	172 931 808
Equity	283 450 881	233 393 828	67 934 733	65 157 406
Share capital	130 777 550	127 742 000	31 343 483	35 662 200
Number of shares	130 777 550	127 742 000	130 777 550	127 742 000
Diluted number of shares	137 955 511	137 093 511	137 955 511	137 093 511
Book value per share (in PLN / EUR)	2,17	1,83	0,52	0,51
Diluted book value per share (in PLN / EUR)	2,05	1,70	0,49	0,48
Declared or paid dividend (in PLN / EUR)	39 070 366	29 380 660	9 364 003	8 202 306
Declared or paid dividend per share (in PLN / EUR)	0,30	0,23	0,07	0,06
PLN / EUR rate at the end of the period**			4,1724	3,5820

* Profit and loss items have been converted as a matter of arithmetic computation using the official mid-rates announced by the National Bank of Poland prevailing on the last day of each month.
** Balance sheet items and book value per share have been converted using the official mid-rates announced by the National Bank of Poland prevailing on the balance sheet date.

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	Note	Year for the period from 01.01.2008 to 31.12.2008	Year for the period from 01.01.2007 to 31.12.2007
Continued operations			
Net sales		**6 129 738 287**	**4 726 055 830**
Net sales of traded goods	24	5 979 744 575	4 638 343 918
Net sales of services	24	149 993 712	87 711 912
Prime costs of sales		**(5 588 547 342)**	**(4 324 456 766)**
Costs of sold traded goods		(5 562 643 949)	(4 306 162 859)
Costs of sold services		(25 903 393)	(18 293 907)
Gross profit (loss) on sales		**541 190 944**	**401 599 064**
Costs of sales	25	(278 057 690)	(221 964 081)
Costs of general management	25	(137 047 160)	(87 283 475)
Profit (loss) on sales		**126 086 094**	**92 351 509**
Other operating revenues	26	15 212 870	12 301 438
Other operating costs	26	(25 795 563)	(18 058 351)
Operating profit (loss)		**115 503 400**	**86 594 597**
Financial revenues	27	3 038 718	1 776 409
Financial costs	27	(22 101 349)	(13 460 824)
Share in profits (losses) of companies consolidated with the equity method		(1 753 380)	-
Profit (loss) before tax		**94 687 390**	**74 910 182**
Income tax	21	(16 319 898)	(16 309 318)
Net profit (loss) on continued operations		**78 367 492**	**58 600 864**
Discontinued operations			
Net profit (loss) on discontinued operations	36	88 831	279 962
Net profit (loss)		**78 456 323**	**58 880 826**
Parent company shareholders		78 487 385	58 880 826
Minority interests		(31 062)	-

NET EARNINGS PER SHARE

	Note	PLN / share	PLN / share
Net profit (loss) on continued operations		78 398 554	58 600 864
Net profit (loss) on continued and discontinued operations		78 487 385	58 880 826
Weighted average number of shares	28	130 969 660	130 928 889
Weighted average diluted number of shares	28	134 301 128	132 671 679
from continued operations			
- basic		0,60	0,45
- diluted		0,58	0,44
from continued and discontinued operations			
- basic		0,60	0,45
- diluted		0,58	0,44

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	as at 31.12.2008	as at 31.12.2007
Assets			
Fixed assets (long-term)		**408 484 896**	**278 277 414**
Goodwill	3	68 522 678	33 823 699
Intangible fixed assets	3	154 839 276	121 508 107
Tangible fixed assets	4	171 739 210	121 036 431
Investments in associated companies - equity method	7	1 710 920	-
Other long-term financial assets	8	102 000	-
Long-term receivables	9	5 852 987	1 872 272
Deferred income tax assets	22	3 996 664	-
Other long-term prepayments	23	1 721 161	36 905
Current assets (short-term)		**815 765 519**	**591 450 504**
Invetories	10	312 265 130	224 861 218
Trade receivables	11	321 212 674	220 113 990
Current income tax receivables		-	9 896
Other short-term receivables	11	32 454 393	13 110 637
Cash and cash equivalents	12	144 149 370	131 461 193
Short-term prepayments	13	5 683 952	1 893 571
Total assets		**1 224 250 415**	**869 727 918**

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

Liabilities		as at 31.12.2008	as at 31.12.2007
Equity		**283 450 881**	**233 393 828**
Equity attributable to shareholders of the parent		**282 889 983**	**233 393 828**
Share capital	14	130 777 550	127 742 000
Supplementary capital	15	77 208 064	47 111 013
Hedge transactions valuation capital	15	(4 645 000)	-
Retained earnings		79 549 369	58 540 815
Profit (loss) of prior years		1 061 984	(340 011)
Net profit (loss) of the current year		78 487 385	58 880 826
Minority interests		**560 898**	**-**
Liabilities		**940 799 534**	**636 334 090**
Long-term liabilities		**53 754 345**	**16 892 355**
Long-term financial liabilities	20	23 421 786	11 222 655
Deferred income tax provision	22	12 893 775	5 374 916
Provision for employee benefits	17	294 784	294 784
Other long-term provisions	17	17 144 000	-
Short-term liabilities		**887 045 189**	**619 441 735**
Short-term loans and credits	19	68 474 416	73 148 384
Short-term financial liabilities	20	7 488 992	2 520 587
Trade liabilities	18	755 086 412	505 350 072
Current income tax liabilities	18	6 148 534	3 134 237
Short-term liabilities	18	18 462 915	15 974 076
Provision for employee benefits	17	14 128 606	11 246 255
Short-term provisions	17	17 255 314	8 068 122
Total liabilities		**1 224 250 415**	**869 727 918**

BOOK VALUE PER SHARE AS AT 31 DECEMBER 2008

		as at 31.12.2008	as at 31.12.2007
Book value		**283 450 881**	**233 393 828**
Number of shares	29	130 777 550	127 742 000
Diluted number of shares	29	139 133 511	137 093 511
Book value per share		**2,17**	**1,83**
Diluted book value per share		**2,04**	**1,70**

OFF BALANCE SHEET ITEMS

Contingent Liabilities		**1 581 362**	**1 302 335**
Related companies		1 500 000	-
Other companies		81 362	1 302 335
- guaranties and sureties granted		81 362	1 302 335
Total	32	**1 581 362**	**1 302 335**

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	Year for the period from 01.01.2008 to 31.12.2008	Year for the period from 01.01.2007 to 31.12.2007
Operating cash flow		
Net profit before tax	**94 767 001**	**75 031 841**
Adjustments:	**56 725 650**	**46 939 637**
Depreciation	42 960 482	35 685 520
(Profit) loss on sold tangible fixed assets	332 453	526 273
Costs of interest	13 432 715	10 727 844
Operating cash before changes in working capital	**151 492 651**	**121 971 479**
Changes in inventory	(43 129 030)	(15 354 206)
Changes in receivables	(1 624 704)	(44 801 406)
Changes in liabilities	151 259 506	133 978 003
Changes in provisions and accruals	(2 385 140)	6 305 965
Valuation of potivational programm	5 714 431	4 854 950
Loss on sale of shares	300 000	-
Other adjustments	3 298 875	6 134
Operating cash	**264 926 590**	**206 960 918**
Interest paid	(10 244 583)	(6 641 137)
Income tax paid	(14 224 887)	(15 052 491)
Net operating cash	**240 457 120**	**185 267 290**
Investment cash flow		
Expenditures for purchased intangible fixed assets	(13 034 927)	(15 188 842)
Expenditures for purchased tangible fixed assets	(59 131 974)	(49 007 660)
Receipts from sold tangible fixed assets	6 607 557	12 396 858
Hedging instruments	(5 352 000)	-
Expenditures for purchased subsidiary companies (less for money taken)	(94 215 559)	(9 999 996)
Expenditures for purchased associate companies	(3 464 300)	-
Receipts form sold subsidiary companies	475 182	-
Advances for purchase of shares	(1 757 235)	-
Net investment cash	**(169 873 254)**	**(61 799 640)**
Financing cash flow		
Receipts from issued shares	8 226 341	-
Receipts due to taking loans and credits	10 416	14 400 977
Repaid loans and credits	(19 177 561)	(14 755 217)
Repaid liabilities under financial lease	(6 088 473)	(2 532 905)
Interest	(1 796 045)	(985 282)
Dividends paid	(39 070 366)	(29 380 660)
Net financing cash	**(57 895 689)**	**(33 253 087)**
Net change in cash and cash equivalents	**12 688 177**	**90 214 564**
Cash and cash equivalents at the beginning of the period	131 461 193	41 246 629
Cash and cash equivalents at the end of the period	**144 149 370**	**131 461 193**

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

CONSOLIDATED STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	Share capital	Supplementary capital	Hedge transactions valuation capital	Retained earnings	Minority capital	**Total**
Changes in equity in the period from 1 January to 31 December 2007						
Balance as at 1 January 2007	**127 742 000**	**29 059 203**	**-**	**42 231 375**	**-**	**199 032 578**
Net profit presented directly in equity	-	-	-	-	-	-
Net profit for the period from 1 January to 31	-	-	-	58 880 826	-	**58 880 826**
Total profit and loss recorded in the period from 1 January to 31 December 2007	-	-	-	**58 880 826**	-	**58 880 826**
Dividends paid	-	-	-	(29 380 660)	-	**(29 380 660)**
Transfer to supplementary capital	-	13 196 860	-	(13 196 860)	-	-
Valuation of motivational program for employees	-	4 854 950	-	-	-	**4 854 950**
Other corrections	-	-	-	6 134	-	**6 134**
Balance as at 31 December 2007	**127 742 000**	**47 111 013**	**-**	**58 540 815**	**-**	**233 393 828**
Changes in equity in the period from 1 January to 31 December 2008						
Balance as at 01 January 2008	**127 742 000,00**	**47 111 013,17**	**-**	**58 540 815**	**-**	**233 393 828**
Net profit presented directly in equity	-	-	(4 645 000)	-	-	**(4 645 000)**
Net profit for the period from 1 January to 31	-	-	-	78 487 385	(31 062)	**78 456 323**
Total profit and loss recorded in the period from 1 January to 31 December 2008	-	-	**(4 645 000)**	**78 487 385**	**(31 062)**	**73 811 323**
Dividends paid	-	-	-	(39 070 366)	-	**(39 070 366)**
Transfer to supplementary capital	-	19 163 849	-	(19 163 849)	-	-
Valuation of motivational program for employees	-	5 714 431	-	-	-	**5 714 431**
Share issue - motivational program	3 035 550	5 190 790	-	-	-	**8 226 340**
Eurocash Detal sales	-	-	-	755 385	-	**755 385**
Purchase of subsidiary companies	-	-	-	-	591 960	**591 960**
Other corrections	-	27 980	-	-	-	**27 980**
Balance as at 31 December 2008	**130 777 550**	**77 208 064**	**(4 645 000)**	**79 549 369**	**560 898**	**283 450 881**

ADDITIONAL INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 01.01.2008 TO 31.12.2008

1. GENERAL INFORMATION

1.1. FINANCIAL STATEMENTS PUBLICATION

Consolidated financial statements of the Eurocash were approved for publication by resolution of the Management Board of 27th April 2009.

In accordance with the report no 3/2008 of the Polish Securities and Exchange Commission, the consolidated financial statements of Eurocash S.A. will be published on 27th April 2009.

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

1.2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union later referred to as “IFRS EU”.

The Group has not benefited from the possibility of applying the new Standards and Interpretations, which have already been approved and published in the European Union, and which will enter into force after the balance sheet date. In addition to the balance sheet date the Group has not yet completed the process of estimating the impact of new standards and interpretations, which will enter into force after the balance sheet date, on the financial statements for the period during which they will be used for the first time.

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

1.3. THE IMPACT OF NEW STANDARDS AND INTERPRETATIONS ON THE COMPANY'S FINANCIAL STATEMENTS

Standards and Interpretations approved by the EU	Type of expected change in the accounting principles	Potential impact on financial statements	Effective date for periods commencing on the day or after
Improvements of IFRS 2008	Improvements of IFRS 2008 consist of 35 modifications in two parts. First part includes 24 modifications in 15 standards which modify presentation and valuation principles. Second part includes 11 modifications in definitions and editorial	The Group is still assessing the impact of the revised standards on the operations.	1 January 2009 or 1 July 2009 (IFRS 5)
Revised IFRS 2 *Share-based Payments*	The revised standard clarifies the definition of vesting conditions and introduces definition of other non-vesting conditions. Non-vesting conditions should be accounted at fair value as of grant date. No fulfilment of the conditions will result in the accounting treatment as for cancellations of granted conditions.	The Group is currently assessing the impact of the revised standard on the operations.	1 January 2009
IFRS 8 Operating segments	This standard sets out a management approach for disclosure about the entity's operating segments on the basis of the components that are regularly reviewed by the management in day to day operating decisions. Operating segments are the entity's parts for which separate information is available and that are regularly reviewed by the key decision makers in order to allocate resources to the segment and to assess its performance.	The Group is assessing that the standard will not have impact on its income statement and equity statement. The Group assesses that the standard will have material impact on information presented in notes to consolidated financial statements.	1 January 2009
Revised IAS 1 *Presentation of Financial Statements*	The revised IAS 1 requires that information in the financial statements should be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. All items of income and expense as well as the components of comprehensive income may be presented either in a single statement of comprehensive income or in two statements (a separate income statement and statement of comprehensive income).	The Group is currently assessing whether to present a single statement of comprehensive income or two separate statements.	1 January 2009

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

Standards and Interpretations approved by the EU	Type of expected change in the accounting principles	Possible impact on financial statements	Effective date for periods commencing on the day or after
Revised IAS 23 *Bo rrowing Costs*	The revised IAS 23 requires the capitalisation of borrowing costs relating to assets that take a substantial period of time to get ready for use or sale.	The Group is currently assessing the impact of the revised standard on the operations.	1 January 2009
Revised IAS 27 *Consolidated and Separate Financial Statements*	The revised IAS 27 eliminates definition of purchase prise method in exchange introducing requirement to disclose all dividends from subsidiaries, affiliates and jointly controlled entities as an income in stand alone financial statements when right to dividend is established. Additionally, standard requires disclosure when dividend received can be triggering event for impairment.	The Group is currently assessing the impact of the revised standard on the Group's operations.	1 July 2009
Revised IAS 32 *Financial Instruments - Presentation* and IAS 1 *Presentation of Financial Statements*	Under the the revised IAS 32, the criteria for classification of financial instruments with put option have been amended to allow part of them to be presented as equity. As a result of the amendments, some financial instruments that currently meet the definition of a financial liability will be classified as equity if they meet the criteria.	The amendments to both IAS 32 and IAS 1 are not applicable to the operations as the Group has not issued any le financial instruments with put option.	1 January 2009
IFRIC 13 *Customer Loyalty Programmes*	The interpretation addresses accounting by entities that grant loyalty award credits to customers who buy their goods or services should present liabilities to free products, products with discounted prices or services given in their financial statements. Such entities shall allocate some of the proceeds of the initial sale to the award credits as a liability. In effect, this part of sale is recognised only when the entities fulfill their obligations as stated above.	The Group does not expect the interpretation to have any impact on the financial statements.	1 July 2008
IFRIC 14 IAS 19 - The limit of the valuation of assets of the defined benefit, minimum funding requirements and their mutual dependence	This interpretation addresses the following issues: • the repayment or reduction in future contributions can be considered to be accessible in accordance with paragraph 58 of IAS 19; • how the minimum funding requirements may affect the availability of reductions in future contributions, and • the minimum funding requirements may lead to commitment	The Group is still assessing the impact of the revised standards on the operations.	1 January 2008 In accordance with Commission Regulation No 1263/2008, all entities shall apply IFRIC 14 as from the beginning no later than its first year beginning after 31.12.2008

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

			December 2008
Standards and Interpretations approved by the EU	**Type of expected change in the accounting principles**	**Possible impact on financial statements**	**Effective date for periods commencing on the day or after**
Amendments to IAS 39 reclassification of financial instruments: Effective date and transitional provisions	The amendments clarifies the date when it is possible to make the reclassification of the categories of financial instruments measured at fair value through profit or loss and available-for-sale category in exceptional circumstances, which provide for amendments to IAS 39 published 27 November 2008 The changes referred to above shall apply with effect from 1 July 2008 and no changes can not be made retrospectively. The reclassification took place on 1 November 2008 and later should be applied from the date of conversion and can not be made retrospectively.	The amendment does not apply to the Group's operations because the Group failed to make a conversion of financial instruments.	1 July 2008
IFRIC 12 Concession Agreement	The interpretation provides guidance for operators of the private sector in relation to the recognition and measurement issues that arise in the settlement of transactions relating to the concessions granted for the provision of services to private operators by the public sector.	The Group is currently assessing the impact of the revised standard on the Group's operations.	1 January 2008 In accordance with Commission Regulation No 254/2009, all entities shall apply IFRIC 12 as from the beginning no later than its first year beginning after the date of entry into force i.e. 29 March 2009.
The revised IFRS 1 Application of International Financial Reporting Standards for the first time	Revised standard changes its structure (without changing the technical content) in such a way that all the exceptions, which were previously in the text of the standard have been moved to the respective annexes.	The Group does not expect that the change will have any impact on the financial statements.	1 July 2009

Standards and Interpretations not yet endorsed by the EU	Type of expected change in the accounting principles	Possible impact on financial statements	Effective date for periods commencing on the day or after
Revised IFRS 3 *Business Combinations*	The scope of the IFRS 3 has been extended as well as business definition. The revised standard covers potentially material changes, including: • All considerations including contingent ones given by purchaser are recognized and valued at fair value at acquisition date • Post transaction changes in value of contingent considerations should be accounted for in income statements • Transaction costs other than costs connected with equity issue or debt raising, should be accounted for in income statement • Purchaser may value of minority interest at fair value at acquisition date (full goodwill) or its proportional share in fair value available to assess assets and liabilities for every transaction.	The Group is currently assessing the impact of the revised standard on the Group's operations.	1 July 2009
Amendments to IFRS 7 disclosures regarding improvements in financial instruments	The amendments require disclosures relating to the determination of fair value by using the three steps scale, which reflects the importance of input data used in determining fair value (Level 1 - fair value determined on the basis of market quotations, Level 2 - Other possible input observable in the market, Level 3 - no data input based on information that can be observed on the market). The amendments also make additional suggestions concerning the form of disclosures relating to the determination of fair value and require specific disclosures about valuation in terms of level 3 and disclosures of any changes in classification between the levels. In addition, amended the definition of liquidity risk. The amendments require disclosure of the analysis of financial liabilities that are derivative (it is not required to disclose the contractual maturity analysis). In addition, the change needs to be clarified how it was determined the value shown in these disclosures, and how the entity manages liquidity risk.	The Group is currently assessing the impact of the revised standard on the operations.	1 January 2009

Standards and Interpretations not yet endorsed by the EU	**Type of expected change in the accounting principles**	**Possible impact on financial statements**	**Effective date for periods commencing on the day or after**
IAS 27 – Cost of an investments in subsidiaries, jontly controlled entities and associates.	The amendments remove minority interest definition into non-controlling interest, which is defined as equity held in affiliate which cannot be directly or indirectly assigned to dominant company. The standard also defines presentation of non-controlling interest, lost of control in affiliate and allocation of profits and losses and other comprehensive income to controlling or non-controlling interest.	The Group is still assessing the impact of the revised standards on the operations.	1 July 2009
Amendments to IAS 39 Financial Instruments: Recognition and Measurement	The amendments clarify the application of existing rules for determining whether a specific risk or part of the cash flows can be classified as protected. While the classification of hedging relationship it should be possible to separate and reliable measurement of risk or part of the cash flows, inflation only in exceptional circumstances may be appointed as the item to be secured.	The Group is currently assessing the impact of the revised standard on the operations.	1 July 2009
The amendments to IFRIC 9 and IAS 39 Embedded derivatives	The amendments require that an entity has assessed whether the embedded derivatives should be separated from the host contract when the entity makes retraining hybrid (combined) of the categories of financial assets are measured at fair value through profit or loss statement. This assessment should be made based on conditions in force at the later of two dates: - when the unit becomes for the first time party to the contract, and - when the conditions of the contract amendments were made which significantly modify the cash flows that would be required in accordance with the contract.	The Group does not expect that the change will have any impact on the financial statements.	30 June 2009

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

Standards and Interpretations not yet endorsed by the EU	Type of expected change in the accounting principles	Possible impact on financial statements	Effective date for periods commencing on the day or after
IFRIC 15 Agreements for the Construction of Real Estate	The Interpretation provides that income from sale of real estate is recognized in income statements in parallel to advance of construction work in following circumstances: - Agreement fulfils provisions of construction contract in accordance with IAS 11.3 - Agreement considers only rendering of services in accordance with IAS 18 (the entity is not obligated to deliver construction materials) • *Agreement considers sale of goods when disclosure criteria for revenue are in accordance with IAS 18.14 are fulfilled in continues manner to advancement of construction work* In all other cases, revenue is recognized when all criteria for recognition in accordance with IAS 18.14 are met (e.g. after completion of construction work)	IFRIC 15 is not applicable to the Group operations as the Group is not a party in any agreement for the construction of real estate.	1 January 2009
IFRIC 16 Hedges of a Net Investment In a Foreign Operation	IFRIC 16 applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations. The Interpretation clarifies that this type of hedge accounting can be applied only when the net assets of the foreign operation are included inthe financial statements.	IFRIC 16 is not applicable to the Group operations as the Group does not practice hedge accounting to the foreign currency risk arising from its net investment in a foreign operation.	1 October 2008

Standards and Interpretations not yet endorsed by the EU	Type of expected change in the accounting principles	Possible impact on financial statements	Effective date for periods commencing on the day or after
IFRIC 17 The issue of assets in kind to shareholders	The interpretation of the issue to shareholders in the form of a dividend in kind. In accordance with the interpretation of the obligation for the payment of dividends should be recognized when the dividend was properly enacted and it is not already the responsibility of the company. The obligations referred to above are measured at fair value of assets that are to be issued. The carrying amount of the liability for the dividend should be valued at each balance sheet date. Changes in the carrying amount should be recognized as an adjustment in the capital value of the dividend. At the time of payment of dividends, was possibly the difference between the carrying amount issued and the carrying amount of assets liabilities should be included in the profit and loss account.	Since the interpretation prospectively, there will be no impact on the financial statements for periods prior to its first use. Moreover, as concerns the interpretation of future dividends to be decided on the general assembly, it is not possible to determine in advance its impact on the financial statements	1 July 2009
IFRIC 18 The assets received from customers	The interpretation of the contracts under which the recipient receives from its tangible assets, which are then used either to connect the customer to the network or to allow it to continue to have access to goods or services or both of these goals. The interpretation also applies to contracts under which the entity receives from the recipient of the funds and the funds are intended to produce or purchase of property, plant and equipment. An entity receiving funds recognizes a component of fixed assets, if it meets the definition of assets. Overleaf to recognize revenue. The moment of recognition of revenue is dependent on the specific facts and circumstances of the contract.	IFRIC 18 does not apply to the Group's financial statements because the Group does not receive assets from its customers.	1 July 2009

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union later referred to as “IFRS EU”.

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

1.5. JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires from the Management Board judgments, estimates and assumptions that affect the principles adopted and presented the value of the assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and other factors which are considered to be reasonable under the circumstances, and the results provide the basis for judgments about the carrying values of assets and liabilities, which does not result directly from other sources. The actual value may differ from those estimated.

The estimates and associated assumptions are subject to ongoing review. Change in accounting estimates is recognized in the period in which the change in the estimate occurred in the current or future periods, if the change in the estimate covers both the current and future periods.

1.6. 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 consolidated financial statements.

1.7. INFORMATION ABOUT THE PARENT ENTITY AND THE CAPITAL GROUP

The Eurocash capital group consists of Eurocash S.A. and its subsidiary companies: KDWT S.A., Eurocash Franszyza Sp. z o.o., McLane Polska Sp. z o.o., Nasze Sklepy Sp. z o.o. and associate company PayUp Polska S.A.

The parent entity is Eurocash Spółka Akcyjna, registered in the District Court Poznań -Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register, entry no KRS 00000213765, with its registered seat in Komorniki, ul. Wiśniowa 11.

The core business of the Company is the other wholesale (PKD 4690Z).

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

The subsidiary entities are:

- KDWT Spółka Akcyjna, registered in the District Court Poznań -Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register, entry no KRS 0000040385, located in Komorniki, Wiśniowa 11,
- Eurocash Franszyza Sp. z o.o., registered in the District Court Poznań -Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register, entry no KRS 0000259846, located in Komorniki, Wiśniowa 11,
- McLane Polska Sp. z o.o., registered in the District Court Warszawa XIV Commercial Division of the National Court Register, entry no KRS 0000013892, located in Błonie, Pass 20C,

- Nasze Sklepy Sp. z o.o., registered in the District Court Lublin XI Commercial Division of the National Court Register, entry no KRS 0000000139, located in Biała Podlaska, ul. Kąpielowa 18.

The associate company is:

- PayUp Polska S.A registered in the District Court Poznań -Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register, entry no KRS 0000299000, located in Poznań, Al. Solidarności 46

The data presented in these consolidated financial statements embraces the results of the entities listed above.

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

Entities comprising the Eurocash capital group covered by the consolidated financial statements as of 31.12.2008

name of entity	Eurocash S.A.	KDWT S.A.	Eurocash Franszyza sp. z o.o.	McLane Polska sp. z o.o.	PayUp Polska S.A.	Nasze Sklepy sp. z o.o.
seat	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul. Pass 20C 05-870 Błonie	Al.. Solidarności 46 61-696 Poznań	ul. Kąpielowa 18 21-500 Biała Podlaska
core business	PKD 4690Z	PKD 4635Z	PKD 8299Z	PKD 4690Z	PKD 6120Z	PKD 4711Z
registry court	District Court Poznań -Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000213765	District Court Poznań -Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000040385	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000259846	District Court Warszawa XIV Commercial Division of the National Court Register KRS 0000013892	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000299000	District Court Lublin XI Commercial Division of the National Court Register KRS 0000000139
entity status	Parent entity	Subsidiary entity	Subsidiary entity	Subsidiary entity	Associate entity	Subsidiary entity
applied consolidation method	Full	Full	Full	Full	Equity method	Full
date of taking over control	n/a	31 March 2006	10 July 2006	30 April 2008	13 May 2008	14 May 2008
Share in share capital (%)	n/a	100%	100%	100%	49%	53,39%
Share in total number of votes (%)	n/a	100%	100%	100%	49%	53,39%

1.8. GOING CONCERN BASIS

The financial statements have been prepared on a going concern. 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 under the historic cost convention, except for:

- financial instruments valued at fair value
- financial instruments measured at fair value through profit and loss
- available-for-sale financial instruments at fair value.

The key principles of accounting applied by the Company are presented under items 2.2 – 2.28.

2.2. FINANCIAL YEAR AND REPORTING PERIOD

The financial year of the Group is a calendar year.

2.3. FORMAT AND CONTENT 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 consolidated financial statements comprise in particular:

- General information
- Consolidated profit and loss account
- Consolidated balance sheet
- Consolidated cash flow statement
- Consolidated statement on changes in equity
- Additional information
- Explanatory notes

2.4. INTANGIBLE FIXED ASSETS

Definition

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

Intangible fixed assets of the Group comprise:

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

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

Most intangible assets other than goodwill and intangible assets with indefinite useful life are amortised. 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 assets are charged directly to costs.

The Group 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”, “ABC” and “KDWT” trade marks is difficult to define / undefined, they are not amortised. The “Eurocash”, “ABC” and “KDWT” trade marks are subject to an annual impairment test.

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.

According to IAS 36 regarding intangible assets that have an indefinite useful life are subject to annual test for impairment by comparing its carrying amount with its recoverable amount no matter if there are any indicators that an impairment loss occurred.

Valuation of intangible fixed assets as at the balance sheet day

As at the balance sheet day intangible fixed assets should be valued at an acquisition price less amortisation charges and impairment losses.

2.5. TANGIBLE FIXED ASSETS

Definition

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

Tangible fixed assets of the Group comprise:

- Buildings and structures,
- Right of perpetual usufruct of land,

- 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 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.

Depreciation

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	2,5% - 4,5%
▪ investments in third party fixed assets	10%
▪ technical machinery and equipment	10% - 60%
▪ means of transport	14% - 20%
▪ other fixed assets	20%

Fixed assets are depreciated using the straight-line method, from a month following their acceptance for use. The depreciation is accrued monthly.

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.

When the reason of the revaluation write-offs terminates, including permanent impairment of value, the equivalent of the entire or a relevant part of the revaluation write-off previously made increases the value of the given asset and is included in either other operating or financial income.

Valuation of fixed assets as at the balance sheet day

Tangible assets are reported at acquisition or manufacturing cost less accumulated depreciation based on the estimated useful life of the asset and any impairment losses.

Construction 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.

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

2.6. 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.

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.

2.7. 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 Group 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 Group 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.

2.8. 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.

2.9. SHARES IN ASSOCIATES COMPANIES

Shares in associated companies included in the fixed assets shall be valued using the equity method

2.10. 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.
Long-term receivables cover e.g. prepaid security deposits referring to long-term (multiannual) rental agreements.

Valuation of long-term receivables

As at the balance sheet day long-term receivables are valued at amount adjusted purchase price estimated according to efficiency interest rate less possible allowance for bad debts.

2.11. LONG-TERM PREPAYMENTS

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.

The analysis mentioned above is performed by the Group with respect to the objective premises and general knowledge about particular prepayments.

2.12. 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 Group 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 component (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.

2.13. INVENTORIES

Definition

Inventories of the Group include:

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

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

At the balance sheet day elements of inventories are valued according to purchase price or production costs and not higher than net value possible to gain. A purchase price or a cost of manufacture of other inventories is settled according to method First In - First Out (FIFO).

Net value possible to gain is a difference between an estimated sale price in ordinary economic activity and an estimated finishing costs and necessary to complete a sale.

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.

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.

2.14. FINANCIAL INSTRUMENTS

Initially, the Company recognises financial instruments at fair value. In case of financial instruments not classified as the financial assets valued at fair value by financial outcome (d), the costs of transaction possible to be directly assigned are included in the initial value.

Due to the rights as well as financial risk involved expiration (or its transfer to the third party) the Company is allowed to eliminate the financial instruments from balance sheet.

The fair value of financial assets classified as trading assets is calculated on the basis of the published price quotations in the active market from the day before the balance sheet day.
If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Valuation techniques embrace a reference to the current fair value of another instrument that is quoted in an active market and substantially the same, discounted cash flow analysis or option pricing models applicable to any entity's specific circumstances.

Conceptually at each balance sheet date, the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired and if so it should determine the amount of impairment loss and provide for the same.

The Company classifies financial instruments in the following categories:
(a) held-to-maturity investments,
(b) loans and receivables,
(c) available-for-sale financial assets,
(d) financial assets held for trading, valued at fair value through profit and loss.

Subsequent measurement of financial assets depends upon their classification at initial recognition into any of the above categories that is mainly based on the purpose of purchase.

(a) Held-to-maturity investments

This category is for fixed maturity 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, excluding the financial assets classified as financial assets held for trading, available-for-sale financial assets and loans and receivables.
Financial assets to be sold off in the 12 month period of the balance sheet date are recognized as current assets.

Held-to-maturity investments are measured at amortized cost using the effective interest method.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or possible to define payments that are not quoted in an active market. They arise when the Company provides money directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.
Trade receivables and other receivables are measured at amortized cost using the effective interest method, less allowance for bad debts. Valuation of the mentioned assets components takes under consideration time as well as payment probability.

(c) Available-for-sale financial assets

This category includes financial assets that are not derivative instruments, which were classified as available for sale or which are not (a) loans and receivables, (b) held-to-maturity investments or (d) financial assets valued at fair value through profit and loss.
Assets in this category are classified as current if they are intended to be disposed within 12 months of the balance sheet date

Available-for-sale assets are measured at fair value excluding the investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

Gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If the fair value of available-for-sale financial assets increased due to subsequent events in a few periods after the impairment loss had been recognised, the cumulative impairment loss is reversed i.e. removed from equity and recognised in the income statement.

(d) Financial assets valued at fair value through profit and loss (held for trading)

This category has two subcategories: financial assets held for trading and those designated at fair value through profit or loss at inception.
Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

Initially, financial liabilities are recognised at amortised cost using the effective interest rate, excluding:

(a) financial liabilities valued at fair value through profit and loss,
(b) financial liabilities brought down (a result of the financial assets transfer) not qualified as to be excluded from balance sheet,
(c) financial guarantee agreements,
(d) liabilities to grant a loan at under market rate.

2.15. DERIVATIVES FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge exchange rate risk and the risk of changes in interest rates.

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.

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

Trade receivables are recognised initially at amount payable and subsequently measured at amortised cost using the effective interest method, less provision for impairment.
When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

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

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

According to IAS 21 receivables denominated in foreign currencies are valued at least as at the balance sheet day at the immediately exchange rate.
Exchange gains or 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 – 100% of the account receivable value,
- receivables overdue for 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.

2.17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in the Company's safe, bank deposits on demand and cash at bank with a limited control.
Cash and cash equivalents balance shown in cash flow consists of the above elements.

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 Group is based on rational premises and knowledge of particular prepayments.

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

- prepaid rent,
- prepaid power and central heating,
- prepaid subscriptions, insurance,
- other prepaid services (e.g. telecommunication),
- 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
At the balance sheet day long-term liabilities are valued at amortised acquisition cost using the effective interest rate.

Valuation as at the balance sheet day of liabilities denominated in foreign currencies
According to the 21 IFRS liabilities denominated in foreign currencies are valued at least as at the balance sheet day at the immediately exchange rate.
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,
- 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
At the balance sheet day short-term liabilities are valued at amortised acquisition cost using the effective interest rate.

Valuation as at the balance sheet day of short-term liabilities denominated in foreign currencies
According to IAS 21 liabilities denominated in foreign currencies are valued at least as at the balance sheet day at the immediately exchange rate.
Exchange gains or 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. PROVISIONS

Provisions are created when the Group 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 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.

2.23. NET SALES

Net sales are recorded 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 taxes relating to sales (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

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

Dividend revenues

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

2.24. EMPLOYEE BENEFITS

In accordance with the provisions of the International Accounting Standards, the Group 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.

According to IAS 19 “Employee benefits” the provision for retirement severance payments was calculated by an independent actuary using the projected unit credit method. It represents the present value of the future obligation of the Company to make severance payments on its employees retirement with respect to the employee movements and other demographic indicators.

2.25. SHARE-BASED COMPENSATION

Share-based compensation program make possible employees of Group purchase shares of Parent Company. The fair value of option grants is present in separate position in profit and loss report as costs of management options program in connection with ownership capital. The fair value is determinate at the day of options grants for employees, arrange in period when employees will qualify to execute options.

The Company uses a Black-Scholes model to determine the fair value of option grants.

Key assumptions used in this valuation method are: share price on the date of calculation, closing stock price, the volatility of the Company's stock price (based on the weighted-average of the historical volatility in the Company's stock price adapted to the expected changes due to public available information), the expected life of our share-based instruments (based on the historical data and common behaviour of the option owners), the expected dividend yield and the risk free interest rates (bonds). The transaction conditions applying to provisions and performance results not related to market are not considered in the valuation.

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.

2.27. BUSINESS ACQUISITIONS AND CONSOLIDATION PRINCIPLES

Subsidiaries

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

Costs of business acquisition

The costs of business acquisition 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 acquisition, plus any potential costs directly attributable to the combination of business units.

The date of an acquisition

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

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

- the cost of the business acquisition 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 carrying amount 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 acquisition costs

The acquirer recognises, at the acquisition date, the costs of the business acquisition, including identifiable assets, liabilities and contingent liabilities of the acquiree, which meet the criteria specified in paragraph 37 of the IFRS 3, at their fair value as at this day, with the exception of fixed assets (or the group of assets intended for sale) classified as “Intended for sale” in accordance with IFRS 5 “Non-current assets held for sale and discontinued operations” which are presented at their fair value less the costs of sale.

The acquirer recognises 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 acquisition, 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 acquisition

and

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

Pursuant to IFRS 3 Group can correct fair value acquired net assets and goodwill within 12 months from acquisition data.

2.28. SEGMENT REPORTING

Under IAS 14 "Segment reporting", the Group is obligated to present results of its operations by operations segments.

According to the original assumptions of the standard, 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 the Group with a diversified operations profile or a multinational entity, when obtaining required information from the aggregated data may not be possible.

IAS 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.

According to IAS 34, the Company is obligated to present its proceeds and results by business or geographical segments in the mid-year abbreviated financial statements, depending on the reporting manner accepted by the Company.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2008 TO 31.12.2008

NOTE 1.
BUSINESS ACQUISITION

Acquisition of McLane Polska Sp. z o.o.

On April 17th 2008 Eurocash S.A. and McLane International LLC concluded a share purchase agreement under which Eurocash S.A. acquired 100% of shares in McLane Sp. z o.o. On April 30th 2008 Eurocash S.A. assumed the facto control of the company

1. General information

Table no 1

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS

1.	Name of acquired company	McLane Polska sp. z o.o.
2.	Core business	wholesale other (PKD 4690Z)
3.	Acquisition date	17 April 2008
4.	Takeover date	30 April 2008
5.	Acquired stake (%)	100 % shares
6.	Acquisition cost	91 955 173 PLN

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

The Eurocash Group has no intention to dispose any part of the business with regard to the acquisition of McLane Sp. z o.o.

3. Settlement of the business acquisition

This consolidated financial statement shows a complete manner the final fair values of identifiable assets, liabilities and contingent liabilities. In according with IFRS 3 the Company assessed the value of identifiable intangible assets – Relations with McLane clients – in amount 28.899.847 PLN

4. The costs of the acquisition

Table no 2

ACQUISITION COST

	as at 30.04.2008
Cash	**90 934 643**
Direct acquistion costs	
Tax on civil law transactions	903 084
Costs of consulting services (legal, accounting, etc.)	117 446
	91 955 173

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

Table no 3

NET ASSETS ACQUIRED	Value as at 30.04.2008	corrections	Fair value as at 30.04.2008
Other intangible fixed assets	1 431 246	28 899 847	30 331 093
Tangible fixed assets	30 262 734		30 262 734
Long-term prepayments	5 055 217		5 055 217
Invetories	44 235 682		44 235 682
Trade receivables	103 332 316		103 332 316
Other short-term receivables	443 015		443 015
Cash and cash equivalents	1 592 128		1 592 128
Short-term prepayments	885 796		885 796
Total assets	**187 238 133**	**28 899 847**	**216 137 980**
Long-term loans and credits	**2 894 000**		2 894 000
Other long-term financial liabilities	**15 122 084**		15 122 084
Deferred income tax provision	1 180 000	5 490 971	6 670 971
Provision for employee benefits	120 055		120 055
Other long-term provisions	-	17 144 000	17 144 000
Short-term loans and credits	11 599 177		11 599 177
Other short-term financial liabilities	4 820 972		4 820 972
Trade liabilities	88 158 152		88 158 152
Other short-term liabilities	1 454 665		1 454 665
Other short-term provisions	9 658 310		9 658 310
Total liabilities	**135 007 416**	**22 634 971**	**157 642 387**
Net assets	**52 230 717**	**6 264 876**	**58 495 593**
Goodwill on acquisition			33 459 580
Acquisition cost			**91 955 173**

Purchase of 49% of shares in PayUp Polska S.A.

On May 13th 2008 Eurocash S.A. purchased registered shares in PayUp Polska S.A. from the Dutch company PayUp Holding B.V. The shares represent 49% of the share capital of PayUp Polska. PayUp Holding B.V. holds the remaining 51% of shares in PayUp Polska.

1. General information

Table no 4

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS

1.	Name of acquired company	PayUp Polska S.A.
2.	Core business	Wireless telecommunication (PKD 6120Z)
3.	Acquisition date	13 May 2008
4.	Acquired stake (%)	49 % shares
5.	Acquisition cost	3.464.300 PLN

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

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

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

3. The costs of the acquisition

Table no 5

ACQUISITION COST

	as at 13.05.2008
Cash	**3 430 000**
Direct acquistion costs	
Tax on civil law transactions	34 300
Costs of consulting services (legal, accounting, etc.)	0
	3 464 300

<u>Purchase of 53,39% of shares in Nasze Sklepy Sp. z o.o.</u>

On May 14th 2008 Eurocash S.A. purchased from twelve natural persons 53,39% of shares in Sieć Detalistów „ Nasze Sklepy". On the same day, Eurocash S.A. executed a preliminary agreement with the same persons, under which the parties are obligated to conclude a final agreement by May 14th 2010 whereby Eurocash S.A. will acquire further 90 shares in Nasze Sklepy. In performance of both these agreements, Eurocash S.A. will hold 97,07% of shares in Nasze Sklepy.

1. General information

Table no 6

GENERAL INFORMATION CONCERNING BUSINESS COMBINATION OF THE UNITS

1.	Name of acquired company	Nasze Sklepy Sp. z o.o.
2.	Core business	ratail sales food,drinks and tobacco (PKD 4711Z)
3.	Acquisition date	14 May 2008
4.	Acquired stake (%)	53,39 % shares
5.	Acquisition cost	2 072 462 PLN

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

The Eurocash Group has no intention to dispose any part of the business with regard to the acquisition of Nasze Sklepy Sp. z o.o.

3. Settlement of the business acquisition

This consolidated financial statement shows a complete manner the final fair values of identifiable assets, liabilities and contingent liabilities.

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

4. The costs of the acquisition

Table no 7

ACQUISITION COST

	as at 14.05.2008
Cash	**1 870 761**
Direct acquistion costs	
Tax on civil law transactions	18 708
Costs of consulting services (legal, accounting, etc.)	182 992
	2 072 462

Table no 8

NET ASSETS ACQUIRED	Value as at 14.05.2008	corrections	Fair value as at 14.05.2008
Tangible fixed assets	193 447		193 447
Other long-term financial assets	68 072		68 072
Invetories	27 717		27 717
Trade receivables	565 580		565 580
Other short-term receivables	2 349		2 349
Cash and cash equivalents	128 984		128 984
Total assets	**986 150**		**986 150**
Trade liabilities	256 150		256 150
Other short-term liabilities	44 510		44 510
Other short-term provisions	7 423		7 423
Total liabilities	**308 082**		**308 082**
Net assets	**678 067**		**678 067**
Goodwill on acquisition	**1 394 394**		**1 394 394**
Acquisition cost	**2 072 462**		**2 072 462**

Results of Eurocash Group in the period from 01.01 – 31.12.2008 considering acquired companies in this period.

	for the period od 01.01.2008 do 31.12.2008
Net sales	6 472 646 036
Net profit on continued operations	71 169 556

NOTE 2.
SEGMENT REPORTING

Eurocash Group runs the business exclusively within the territory of Poland that may be considered as homogenous in terms of economic conditions and risk related to the operations. All that determines the business sector selection 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 operations of the subsidiary - KDWT S.A. and McLane sp. z o.o.
- others –commercial business (franchising) running by Eurocash Franszyza sp. z o. o. and retail sales food, drinks, tobacco and others running by Nasze Sklepy sp z o.o.

The information presented below showing sale figures and results of the particular segment apply to the analysed reporting period.

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

Table no 1

INCOME AND RESULTS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2008 TO 31 DECEMBER 2008

	Traditional wholesale	Active distribution	Other	Exclusions	Total
Sales	**3 280 591 689**	**3 181 376 295**	**41 031 340**	**(373 261 037)**	**6 129 738 287**
External sales	3 059 974 084	3 041 789 381	27 974 822	-	6 129 738 287
Inter-segmental sales	220 617 605	139 586 914	13 056 518	(373 261 037)	-
Operating profit	**88 274 699**	**9 361 440**	**12 317 949**	**5 549 311**	**115 503 400**
Finance income					3 038 718
Finance costs					(22 101 349)
Share in profits (losses) of companies consolidated with the equity method					(1 753 380)
Profit before income tax					**94 687 390**
Income tax					(16 319 898)
Net profit					**78 367 492**
Total assets (without cash and cash equivalents)	**834 316 284**	**376 327 629**	**30 912 085**	**(161 454 953)**	**1 080 101 046**
Trade liabilities	**620 553 659**	**207 716 408**	**1 748 632**	**(74 932 287)**	**755 086 412**
Investment expenditures	**159 656 594**	**2 495 536**	**9 528 345**	**(1 833 716)**	**169 846 759**
Depreciation and amortisation	**32 328 591**	**6 828 248**	**3 608 172**	**195 471**	42 960 482
Net operating cash	**263 770 514**	**(22 660 679)**	**(652 715)**	**-**	**240 457 120**
Net investment cash	**(159 330 011)**	**1 068 331**	**(11 611 575)**	**-**	**(169 873 254)**
Net financing cash	**(34 469 487)**	**(23 348 884)**	**(77 318)**	**-**	**(57 895 689)**
Depreciation and amortisation	**32 328 591**	**6 828 248**	**3 608 172**	**195 471**	**42 960 482**
Depreciation and amortisation of Intangible Assets	**9 732 675**	**857 272**	**2 869 271**	**-**	**13 459 219**
Recognized impairment losses	**-**	**807 345**	**-**	**-**	**807 345**
Reversed impairment losses	**-**	**-**	**-**	**-**	**-**

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

Table no 1

INCOME AND RESULTS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2007 TO 31 DECEMBER 2007

	Traditional wholesale	Active distribution	Other	Exclusions	Total
Sales	**2 609 900 071**	**2 266 707 861**	**27 122 807**	**(177 674 909)**	**4 726 055 830**
External sales	2 546 689 767	2 161 828 200	17 537 864	-	4 726 055 830
Inter-segmental sales	63 210 304	104 879 661	9 584 944	(177 674 909)	-
Operating profit	**64 246 802**	**14 809 521**	**7 360 564**	**177 709**	**86 594 597**
Finance income					1 776 409
Finance costs					(13 460 824)
Profit before income tax					**74 910 182**
Income tax					(16 309 318)
Net profit					**58 600 864**
Total assets (without cash and cash equivalents)	**570 599 898**	**190 562 703**	**28 462 056**	**(51 357 931)**	**738 266 725**
Trade liabilities	**424 852 416**	**82 814 780**	**5 005 642**	**(7 322 765)**	**505 350 072**
Investment expenditures	**57 399 160**	**2 639 797**	**14 157 540**	**-**	**74 196 497**
Depreciation and amortisation	29 922 254	3 139 287	2 286 509	337 470	35 685 520
Net operating cash	**180 026 652**	**655 224**	**4 585 414**	**-**	**185 267 290**
Net investment cash	**(44 794 871)**	**(2 411 952)**	**(14 592 817)**	**-**	**(61 799 640)**
Net financing cash	**(46 948 665)**	**10 162 970**	**3 532 609**	**-**	**(33 253 086)**
Depreciation and amortisation	**29 922 254**	**3 139 287**	**2 286 509**	**337 470**	**35 685 520**
Depreciation and amortisation of Intangible Assets	**9 971 160**	**297 307**	**1 420 680**	**-**	**11 689 147**
Recognized impairment losses	**-**	**-**	**-**	**-**	**-**
Reversed impairment losses	**-**	**-**	**-**	**-**	**-**

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

NOTE 3.
INTANGIBLE FIXED ASSETS

Information about intangible fixed assets is presented in Table no 2.

Table no 2

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	Goodwill	Patents and licences	Know how	Trademarks	Other intangible fixed assets	**Total**
Net carrying value as at 1 January 2007	**33 823 699**	**3 395 941**	**41 781 863**	**68 157 431**	**3 855 994**	**151 014 928**
Increase due to acquisition	-	1 936 196	-	-	14 107 483	**16 043 680**
Decrease due to sale	-	(3 443)	-	-	-	**(3 443)**
Amortisation	-	(2 501 096)	(5 449 808)	(1 234 000)	(2 538 454)	**(11 723 359)**
Net carrying value as at 31 December 2007	**33 823 699**	**2 827 598**	**36 332 055**	**66 923 431**	**15 425 023**	**155 331 806**
Net carrying value as at 1 January 2008	**33 823 699**	**2 827 598**	**36 332 055**	**66 923 431**	**15 425 023**	**155 331 806**
Acquisition due to merger of enterprises	34 853 974	623 901	-	-	28 899 847	**64 377 721**
Increase due to acquisition	-	3 363 889	-	-	9 708 102	**13 071 990**
Increases due to the transfer of fixed assets under construction	-	4 053 498	-	-	-	**4 053 498**
Decrease due to sale	(154 995)	(11 737)	-	-	-	**(166 732)**
Decrease due to liquidation	-	-	-	-	(226 933)	**(226 933)**
Amortisation	-	(2 142 972)	(5 449 808)	(1 234 000)	(4 252 616)	**(13 079 396)**
Net carrying value as at 31 December 2008	**68 522 678**	**8 714 175**	**30 882 247**	**65 689 431**	**49 553 422**	**223 361 954**

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

Table no 2

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008 (continued)

	Goodwill	Patents and licences	Know how	Trademarks	Other intangible fixed assets	**Total**
As at 1 January 2008						
Gross carrying value	33 823 699	10 742 370	54 498 079	70 008 431	20 468 371	189 540 951
Total accumulated amortisation and write-offs	-	(7 914 772)	(18 166 024)	(3 085 000)	(5 043 348)	(34 209 145)
Net carrying value	**33 823 699**	**2 827 598**	**36 332 055**	**66 923 431**	**15 425 023**	**155 331 806**
As at 31 December 2008						
Gross carrying value	68 522 678	18 771 920	54 498 079	70 008 431	58 849 386	270 650 495
Total accumulated amortisation and write-offs	-	(10 057 745)	(23 615 832)	(4 319 000)	(9 295 964)	(47 288 541)
Net carrying value	**68 522 678**	**8 714 175**	**30 882 247**	**65 689 431**	**49 553 422**	**223 361 954**

The Group identifies the following intangible assets that have an indefinite useful life:

- the “Eurocash” trade mark – with carrying amount 27.387.672,30 PLN,
- the “abc” trade mark – with carrying amount of 17.216.759,00 PLN.
- The “KDWT” - with carrying amount of 13.004.000,00 PLN

Apart from listed below, the Group recognises also a trade mark with a definite useful life – “MHC”. The trade mark adopted to use on 1 June 2005 and has 10 years useful life. As at 31 December 2008 the “MHC” trade mark’s carrying amount id 8.021.000 PLN.

Held by the Group Know How to know about managing a company (financial, logistics, IT, purchases) acquired from Politra BV. The Know how adopted to use on 30 August 2004 and has 10 years useful life. As at 31 December 2008 the Know How carrying amount id 30.882.247 PLN

The Group did not make any write-down losses for intangible assets.

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

NOTE 4.
TANGIBLE FIXED ASSETS

Information about tangible fixed assets is presented in Table no 3.

Table no 3

TANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	Land, buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Constructions in progress	**Total**
Net carrying value as at 1 January 2007	**64 244 083**	**16 261 068**	**16 647 109**	**10 390 042**	**1 455 263**	**108 997 566**
Increase due to acquisition	17 210 012	8 122 423	1 954 071	12 365 755	33 446 306	**73 098 567**
Increase due to lease agreements	-	-	715 916	-	-	**715 916**
Decrease due to sale	(11 349 623)	(116 149)	(652 420)	(100 441)	(84 816)	**(12 303 449)**
Decrease due to liquidation	(456 179)	(34 944)	(66 998)	(53 098)	(24 898 787)	**(25 510 007)**
Depreciation	(6 092 464)	(6 464 642)	(4 575 775)	(6 829 281)	-	**(23 962 161)**
Other changes	(315 165)	229 019	(1 282 642)	1 296 327	72 460	**0**
Net carrying value as at 31 December 2007	**63 240 665**	**17 996 774**	**12 739 261**	**17 069 305**	**9 990 425**	**121 036 431**
Net carrying value as at 1 January 2008	**63 240 665**	**17 996 774**	**12 739 261**	**17 069 305**	**9 990 425**	**121 036 431**
Acquisition due to merger of enterprises	383 343	1 092 166	16 520 536	7 803 749	5 155 526	**30 955 321**
Increase due to acquisition	27 775 674	8 962 584	4 426 817	18 895 956	1 785 913	**61 846 945**
Increase due to lease agreements	-	-	4 675 845	-	-	**4 675 845**
Decrease due to sale	(3 207 441)	(1 931 454)	(316 502)	(470 468)	(4 402 170)	**(10 328 036)**
Decrease due to liquidation	(1 067 300)	(251 438)	(173 810)	(24 462)	(4 000)	**(1 521 010)**
Depreciation	(7 274 160)	(7 779 115)	(7 108 747)	(7 719 063)	-	**(29 881 085)**
Other changes	-	77 858	-	(84 517)	(5 038 542)	**(5 045 200)**
Net carrying value as at 31 December 2008	**79 850 781**	**18 167 375**	**30 763 400**	**35 470 502**	**7 487 152**	**171 739 210**

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

Table no 3

TANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008 (continued)

	Land, buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Constructions in progress	**Total**
As at 1 January 2008						
Gross carrying value	85 317 077	42 381 151	27 524 203	42 525 181	9 990 425	207 738 036
Total accumulated amortisation and write-offs	(22 076 411)	(24 384 376)	(14 784 941)	(25 455 876)	-	(86 701 605)
Net carrying value	**63 240 665**	**17 996 774**	**12 739 261**	**17 069 305**	**9 990 425**	**121 036 431**
As at 31 December 2008						
Gross carrying value	107 595 937	48 401 237	50 402 065	67 118 191	7 487 152	281 004 583
Total accumulated amortisation and write-offs	(27 745 156)	(30 233 862)	(19 638 665)	(31 647 690)	-	(109 265 372)
Net carrying value	**79 850 781**	**18 167 375**	**30 763 400**	**35 470 502**	**7 487 152**	**171 739 210**

Fixed assets in leasing

The Group uses lands, cars and fork-lift in financial leasing. The Group has a possibility their repurchase at the end of the contract (the price is fixed in contact) or further usage of subject of leasing on the basis of new contract. Redemption price is the difference between the value of the leased asset for the immediate payment of the value of a paid in installments of the capital lease

At the end of reporting period the balance value of fixed assets in financial leasing is 34.949,2 k. PLN (2007 r.: 16.491,7 k. PLN). Liabilities from financial leasing are 30.910,8 k PLN (2007 r.: 13.743,2 k. PLN).

The subjects of leasing, to the day of repurchase are the property of lessor, he is entitled to tax depreciation.

Permanent leases are subject to the performance guarantee of the lease agreements. Agreements do not contain provisions for imposing restrictions on the Company of dividends, additional debt or further leasing.

NOTE 5.
ANALYSIS OF INDICATIONS OF POTENTIAL ASSETS IMPAIRMENT

In accordance with IAS 36, at balance sheet date the Group assessed whether there is any indication of potential assets impairment.

The following indications have been assessed:

- decline in market value – during the period, there was no significant decline in market value more than would be expected as a result of the passage of time or normal,
- external environment assessment – occurred during the period of change in the deteriorating economic situation in the Polish market, but not referred to the adverse impact of the activities of the Group because of its profile of activity of the FMCG market. The changes of a technological, market or legal persons also were not given a significant and adverse impact in an environment in which the entity operates and carries on business.
- market factors – during the examined period, there was no increase in interest rates or other market return on investment rates that would affect the discount rate used for calculation of the usable value of the examined assets and reducing their recoverable amount,
- accounting factors – carrying amount of the Group's net assets is lower than market capitalisation,
- usability factors – there are no grounds or evidence of obsolescence or physical damage of assets,
- functionality factors –no significant or disadvantageous changes with a favorable effect on the Group have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, the asset is used or is expected to be used. No attempt was made either to dispose any assets before the end of initially assumed useful life or to change their useful life period.
- 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 originally assumed in the budget,
- operational factors – actual net cash flows and the related operational profit is up to scratch of the budget figure,
- financial factors – having analysed the results of the examined period and the future budget figures, there were no net cash outflows related to the certain assets.

The next analysis is planned for 31 December 2009.

With reference to intangible assets that have an indefinite useful life, the Company conducted the following tests for impairment:

- test for impairment of the "Eurocash" trade mark as of 31 December 2008

The carrying amount of trademark amounted to 27,388 TPLN, the residual value was estimated at 157,718 TPLN As a result of the analysis it was confirmed that the impairment loss is not necessary.
The next test is planned for 31 December 2009.

For the purpose of the test set the value in use using the trade mark license fees method.
Method mark for market-based royalty is to determine the present value of future economic benefits resulting from the possession of a trade mark. This method is based on the assumption that the benefits of having a trade mark shall be equal to the cost of which would bear if the operator did not have the rights to the mark, but only used it on the basis of the license agreement, according to market rates.

The way to determine the level of market license fee is the designation of products with a sales forecast measured trademark and the designation of royalty rates for the use of this mark. The rate of royalty is calculated on the basis of a contract for the lease of trademarks applied between unrelated parties in comparable segment of the market.
In estimating value in use does not include the tax savings for depreciation mark, that would be part of the fair value. Its application would increase the value of trade in goods and for the purposes of the test for impairment based on value in use is not considered legitimate.
For purposes of analysis used the proceeds from the sale of projection products into Eurocash during the period from 2009 to 2013. In order to designate the projection of selected parameters used historical data for the years 2006-2008 and the approved plans by the Board for the period 2009-2013
To determine the level of total net revenues from the sale, an allocation of customers to cooperate with customers Eurocash at the measurement date for more than 3 years (like for like - LFL) and the new customers
In addition, the varying levels of average annual purchase, depending on the length of relationship functioning. This is primarily designed to eliminate the effect of the overstatement of the planned sale.
In addition, the estimated total net revenue from the sale of retail stores to the network ABC as a percentage of total revenues Eurocash. In the forecast period, is fixed at a constant level, equal to the historic level (43.5%).
For the purposes of the valuation of trade mark mark Eurocash cash flow of Eurocash was adopted on the basis of the total sales of Eurocash, less the value of sales to the ABC network. As a result, the revenue associated with the symbol Eurocash taken at 56.5% of the proceeds of the sale Eurocash SA
For the purposes of this analysis was adopted by the level of royalty revenues from 1.1% of net sales, taking place under the trade mark Eurocash which is equal to previous market experience. This value was assessed based on royalties payments analysis for companies operating in FMCG trade. During the analysis it was assumed sector royalties being at level of from 0.68% to 3.0%. For the further analysis it was decided to take result from 2nd quartile equal 1.1%. For the purpose of calculating cost of capital it was analysed 20 companied from trade sector, including 14 comparable companies. Exclusion of 6 companies from statistical point of view was immaterial to calculate beta factor, debt factor to market capitalization exceeding 100% or margin exceeding realized by Eurocash.

- test for impairment of the “abc” trade mark as of 31 December 2008

The carrying amount of trade to 17,217 TPLN, the recoverable amount is estimated at 121,429 TPLN
As a result of the analysis it was confirmed that the impairment loss is not necessary.
The next test is planned for 31 December 2009.

For the purpose of the test set the value in use using the trade mark license fees method.
Method mark for market-based royalty is to determine the present value of future economic benefits resulting from the possession of a trade mark. This method is based on the assumption that the benefits of having a trade mark shall be equal to the cost of which would bear if the operator did not have the rights to the mark, but only used it on the basis of the license agreement, according to market rates.
The way to determine the level of market license fee is the designation of products with a sales forecast measured trademark and the designation of royalty rates for the use of this mark. The rate of royalty is calculated on the basis of a contract for the lease of trademarks applied between unrelated parties in comparable segment of the market.
In estimating value in use does not include the tax savings for depreciation mark, that would be part of the fair value. Its application would increase the value of trade in goods and for the purposes of the test for impairment based on value in use is not considered legitimate.
For purposes of analysis used the proceeds from the sale of projection products into Eurocash during the period from 2009 to 2013. In order to designate the projection of selected parameters used historical data for the years 2006-2008 and the approved plans by the Board for the period 2009-2013

To determine the level of total net revenues from the sale, an allocation of customers to cooperate with customers Eurocash at the measurement date for more than 3 years (like for like - LFL) and the new customers

In addition, the varying levels of average annual purchase, depending on the length of relationship functioning. This is primarily designed to eliminate the effect of the overstatement of the planned sale.

In addition, the estimated total net revenue from the sale of retail stores to the network ABC as a percentage of total revenues Eurocash. In the forecast period, is fixed at a constant level, equal to the historic level (43.5%).

For the purposes of this analysis was adopted by the level of royalty revenues from 1.1% of net sales, taking place under the ABC trade mark , which is based on market experience. This value was assessed based on royalties payments analysis for companies operating in FMCG trade. During the analysis it was assumed sector royalties being at level of from 0.68% to 3.0%. For the further analysis it was decided to take result from 2nd quartile equal 1.1%. For the purpose of calculating cost of capital it was analysed 20 companied from trade sector, including 14 comparable companies. Exclusion of 6 companies from statistical point of view was immaterial to calculate beta factor, debt factor to market capitalization exceeding 100% or margin exceeding realized by Eurocash.

- test for impairment of the "KDWT" trade mark as of 31 December 2008

The carrying amount of trade to 13,004 TPLN, the recoverable amount is estimated at 16,532 TPLN

As a result of the analysis it was confirmed that the impairment loss is not necessary.

The next test is planned for 31 December 2009.

For the purpose of the test set the value in use using the trade mark license fees method.

Method mark for market-based royalty is to determine the present value of future economic benefits resulting from the possession of a trade mark. This method is based on the assumption that the benefits of having a trade mark shall be equal to the cost of which would bear if the operator did not have the rights to the mark, but only used it on the basis of the license agreement, according to market rates.

The way to determine the level of market license fee is the designation of products with a sales forecast measured trademark and the designation of royalty rates for the use of this mark. The rate of royalty is calculated on the basis of a contract for the lease of trademarks applied between unrelated parties in comparable segment of the market.

In estimating value in use does not include the tax savings for depreciation mark, that would be part of the fair value. Its application would increase the value of trade in goods and for the purposes of the test for impairment based on value in use is not considered legitimate.

For purposes of analysis used the proceeds from the sale of projection products during the period from 2009 to 2013. In order to designate the projection of selected parameters used historical data for the years 2006-2008 and the approved plans by the Board for the period 2009-2013

For the purposes of this analysis was adopted by the 0.09% royalty on net revenues from the sale, taking place under the trade mark KDWT, which is consistent with our market experience

In accordance with MSR 36 Group conducted the test for impairment the goodwill arisen as a consequence of the acquisition of the organised part of the enterprise:

- goodwill arisen as a consequence acquisition of "Carment" M. Stodółka i Wspólnicy Spółka Jawna as of 31 December 2008
-

The test for impairment, a total for the whole of the goodwill arising from the purchase of the Group ZCP Carment Eurocash SA

The carrying amount of goodwill to 11,566 TPLN (of which 9,976 TPLN is in the books Eurocash SA and 1,590 TPLN in the books of EC Franszyza Sp. z oo), the recoverable amount is estimated at 832,354 TPLN

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

As a result of the analysis it was confirmed that the impairment loss is not necessary.
The next test is planned for 31 December 2009.

- goodwill arisen as a consequence acquisition KDWT S.A. as of 31 December 2008

The carrying amount of goodwill is 22,103.2 TPLN. The difference between the value of discounted cash flows generated by the resort KDWT a total value of assets diminished of the current trade payables is 36,966 TPLN.
As a result of the analysis it was confirmed that the impairment loss is not necessary.
The next test is planned for 31 December 2009.

Because of shot period from acquisition, goodwill McLane Sp. z o.o. and goodwill Nasze Sklepy Sp. z o.o. Group did not make tests for impairment.

NOTE 6.
INVESTMENT PROPERY

The Group at the balance sheet does not have investment property.

NOTE 7.
INVESTMENTS IN ASSOCIATES COMPANIES

Information about investments in associates companies is presented in Table no 4

Table no 4

INVESTMENTS IN ASSOCIATES COMPANIES AS AT 31 DECEMBER 2008

	as at 31.12.2008	as at 31.12.2007
Opening balance	-	-
Increase in reporting period:	**3 464 300**	-
joined units	3 464 300	-
Decrease in reporting period:	**(1 753 380)**	-
losses in associates companies	(1 753 380)	-
Balance upon changes	**1 710 920**	**-**

NOTE 8.
LONG-TERM FINANCIAL ASSETS

Information about long-term financial assets is presented in Table no 5.

Table no 5

OTER LONG-TERM FINANCIAL ASSETS AS AT 31 DECEMBER 2008

	as at 31.12.2008	as at 31.12.2007
Shares	87 000	-
Given loans	15 000	-
	102 000	**-**

NOTE 9.
LONG-TERM RECEIVABLES

Information about long-term receivables is presented in Table no 6

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

Table no 6

LONG-TERM RECEIVABLES AS AT 31 DECEMBER 2008

	as at 31.12.2008	as at 31.12.2007
Advances	1 757 235	-
Security deposits paid due to agreements on depot rental	2 113 862	1 872 272
Security deposits BRE Bank	1 981 890	
	5 852 987	**1 872 272**

NOTE 10.
INVENTORIES

Information about stocks is presented in Tables no 7 and 8.

Table no 7

INVENTORIES STRUCTURE AS AT 31 DECEMBER 2008

	as at 31.12.2008	as at 31.12.2007
Traded goods	312 117 879	224 667 008
Materials	147 251	194 210
Total stocks, including:	**312 265 130**	**224 861 218**
- carrying value of stocks being a security for liabilities	76 242 357	62 400 000

Table no 8

INVENTORIES IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	for the period od 01.01.2008 do 31.12.2008	for the period od 01.01.2007 do 31.12.2007
Opening balance	**4 878 768**	**4 642 388**
- increasing	7 053 368	236 379
- decrasing	(1 928 359)	-
- use	(101 981)	-
Closing balance	**9 901 795**	**4 878 768**

NOTE 11.
TRADE RECEIVABLES AND OTHER RECEIVABLES

Information about trade receivables and other receivables is presented in Table no 9.

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

Table no 9

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31 DECEMBER 2008

	as at 31.12.2008	as at 31.12.2007
Trade receivables	**321 212 674**	**220 113 990**
Credit sales	237 889 060	153 768 978
Receivables from suppliers	91 324 312	69 616 532
Marketing fees	1 515 340	634 249
Other trade receivables	3 046 511	2 243 870
Allowance for trade bad debts	(12 562 549)	(6 149 638)
Claims arising from the current income tax	**-**	**9 896**
Other receivables	**32 454 393**	**13 110 637**
Settlement of VAT	12 863 305	7 907 525
Receivables from non-trade contractive parties	2 283 696	2 751 184
Claims arising from the sale of shares in subsidiaries	5 500 000	-
Receivables from employees	608 126	963 889
Loans	367 493	197 202
Receivables from insurance	213 707	182 232
Receivables from takeover	2 075	34 628
Receivables in court	16 477 974	1 340 634
Receivables from sales of fix assets	6 424 112	-
Other receivables	3 428 580	60 435
Allowance for other bad debts	(15 714 674)	(327 092)
Total receivables, including:	**353 667 067**	**233 234 523**
- long-term	-	-
- short-term	353 667 067	233 234 523

NOTE 12.
CASH AND CASH EQUIVALENS

Information about cash and cash equivalents is presented in Table no 10

Table no 10

CASH AND CASH EQIVALENTS AS AT 31 DECEMBER 2008

	as at 31.12.2008	as at 31.12.2007
Cash		
cash at bank	100 002 764	107 557 386
cash in hand	1 054 591	1 814 196
cash in way	28 385 877	17 518 878
blocked cash	14 689 917	4 570 733
coupons	16 220	-
Total cash	**144 149 370**	**131 461 193**

Blocked cash there are in Group cash on account ZFŚŚ and short-term deposits

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

NOTE 13.
SHORT-TERM PREPAYMENTS

Information about short-term prepayments is presented in Table no 11.

Table no 11
SHORT-TERM PREPAYMENTS AS AT 31 DECEMBER 2008

	as at 31.12.2008	as at 31.12.2007
Software rental	441 929	476 356
Licences for selling alcohol	1 240 741	367 360
Rentals	1 437 022	331 010
Media	34 318	213 998
Advertising folders	124 238	36 957
Insurances	446 452	199 637
Tolls	58 383	-
Interests on financial leasing	51 869	-
Logistic project Bain	1 160 687	-
Other prepayments	688 314	268 253
	5 683 952	**1 893 571**

NOTE 14.
EQUITY

Information about equity is presented in Table no 12, 13 and 14.

Table no 12
SHARE CAPITAL AS AT 31 DECEMBER 2008

	as at 31.12.2008	as at 31.12.2007
Number of shares	130 777 550	127 742 000
Par value of a share (PLN / share)	1	1
Share capital	**130 777 550**	**127 742 000**

Share capital was comprised of 130.777.550 “A” bearer shares of the par value of PLN 1.00 each as of 31 December 2008.

The structure of shareholders holding more than 5% in total number of votes is presented in Table no 13.

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

Table no 13

SHAREHOLDERS STRUCTURE

	31.12.2008				31.12.2007			
Shareholder	**Number of shares**	**Share in share capital (%)**	**Number of votes**	**total number of votes (%)**	**Number of shares**	**Share in share capital (%)**	**Number of votes**	**Share in total number of votes (%)**
1. Luis Manuel Conceicao do Amaral (directly and indirectly by Politra B.V.)	70 258 100	53,72%	70 258 100	53,72%	70 258 100	55,00%	70 258 100	55,00%
Commercial Union – Powszechne Towarzystwo Emerytalne BPH CU WBK	7 739 424	5,92%	7 739 424	5,92%	6 586 001	5,16%	6 586 001	5,16%
ING Nationale – Nederlanden Polska Otwarty Fundusz Emerytalny	6 843 714	5,23%	6 843 714	5,23%	6 843 714	5,36%	6 843 714	5,36%
BZ WBK AIB Asset Management S.A.	6 624 215	5,07%	6 624 215	5,07%	b.d.	b.d.	b.d.	b.d.

Table no 14

CHANGES IN SHARE CAPITAL IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	for the period od 01.01.2008 do 31.12.2008	for the period od 01.01.2007 do 31.12.2007
Share capital at the beginning of the period	**127 742 000**	**127 742 000**
Increase of share capital in the period	**3 035 550**	**-**
Motivational program - implementation	3 035 550	-
Share capital at the end of the period	**130 777 550**	**127 742 000**

NOTE 15.
OTHER CAPITAL

Information about other capital is presented in Table no 15.

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

Table no 15

CHANGES TO OTHER CAPITAL IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	Supplementary capital	Hedge transactions valuation capital	Total
As at 1 January 2007	**29 059 203**	**-**	**29 059 203**
Increase in the period from 1 January to 31 December 2007	**18 051 810**	**-**	**18 051 810**
Net profit for the period from 1 January to 31 December 2007	13 196 860	-	13 196 860
Valuation of the Incentive Scheme for employees	4 854 950	-	4 854 950
As at 31 December 2007	**47 111 013**	**-**	**47 111 013**
			-
As at 1 January 2008	**47 111 013**	**-**	**47 111 013**
Increase in the period from 1 January to 31 December 2008	**30 106 787**	**-**	**30 106 787**
Net profit for the period from 1 January to 31 December 2007	19 163 849	-	19 163 849
Valuation of the Incentive Scheme for employees	5 714 431	-	5 714 431
Share issue - motivational program	5 190 791	-	5 190 791
Other	37 717		37 717
Decrease in the period from 1 January to 31 December 2008	**(9 736)**	**(4 645 000)**	**(4 654 736)**
Hedging instruments	-	(4 645 000)	(4 645 000)
Redemption of stocks	(9 736)	-	(9 736)
As at 31 December 2008	**77 208 064**	**(4 645 000)**	**72 563 064**

NOTE 16.
OPTIONS FOR SHARES

Information about options for own shares is presented in Table no 16.

Table no 16

OPTIONS FOR SHARES IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	Number of options	Weighted average performance prices (PLN/share)
Existing at the beginning of the reporting period	9 351 511	5,01
Allotted in the reporting period	1 020 000	10,45
Redeemed in the reporting period	(158 000)	2,71
Exercised in the reporting period	(3 035 550)	2,71
Expired in the reporting period	-	-
Existing at the end of the reporting period	7 177 961	6,27
Possible to exercise at the end of the period	-	-

1) Pursuant to Resolution No. 3 of the Extraordinary General Meeting (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-series shares under the Incentive Scheme designated for executive officers, managerial staff and key personnel of Eurocash S.A.
1 December 2007 is the date of offer manoeuvre as well as its acceptance.

Eurocash S.A. will issue the total of 255.484 inscribed shares in two series:

- 127.742 A-series inscribed bonds at the nominal value of 1 grosz (PLN 0.01) each, with the right to subscribe B-series ordinary bearer shares with priority over shareholders of the Group;
- 127.742 B-series inscribed bonds at the nominal value of 1 grosz (PLN 0.01) each, with the right to subscribe C-series ordinary bearer shares with priority over shareholders of the Group.

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

The main requirement for a procuration of the rights to options is 3 year employment period.
The Group valued the Incentive Scheme for A-series bonds at 1.799,5 TPLN. The value has been amortised for the period of 3 years, starting from 1 January 2005.
The Group valued the Incentive Scheme for B-series bonds at 2.781,7 TPLN. The value has been amortised for the period of 3 years, starting from 1 January 2006.

In the period from 1 January to 30 June 2008 was total of 2.492.550 ordinary shares on the grounds of inscribed shares A-series. The shares were purchase 2,71 PLN per share, market value Eurocash S.A. shares on Stock Exchange in Warsaw S.A. reach between 9,50 PLN and 13,50 PLN per share in this period.

2) Pursuant to Resolution No. 17 of the Extraordinary General Meeting (25 April 2006) on issue of the KDWT Incentive Scheme it was decided to issue C-series shares for specific executive officers of KDWT entitled to the Incentive Scheme. The bonds can be bought purely in the maximum amount and exclusively by Authorised People, i.e.:
- by Roman Piątkiewicz – 253.611 of C-series bonds,
- by Mieczysław Kuśnierczak – 93.302 of C-series bonds,
- by Zofia Budzińska – 68.087 of C-series bonds,

under condition that the Authority will be employed by KDWT S.A. (or another entity which the operations of KDWT S.A. will be transferred to) for at least 36 months starting from the date of the mass-vouchers release, i.e. from 31 March 2006 to 31 March 2009. Till the end of the last working day prior to the Option Execution Day, Resolution of the Supervisory Board will be resolved in order to determine a final Authorities list entitled to buy C-series bonds. The list will embrace all the Authorities previously mentioned excluding those who has been terminated.
The date of offer manoeuvre as well as its acceptance will fall in December 2008..

Eurocash S.A. will issue the total of 415.000 inscribed shares.
The bonds will bear no interest.
The bond issue price will be 1 polish grosz.
One C-series bond gives priority to subscribe and take up to 2 D-series ordinary inscribed shares.

The Group valued the KDWT Incentive Scheme for C-series bonds at 1.894,3 TPLN. The value will be amortised for the period of 3 years – as this is an expected period of the program – starting from 1 April 2006.

3) In consequence of the covenant agreement, on 16 August 2006 Eurocash S.A. (as an associate of FHC-2) pledged to grant some of the shareholders of Carment (Stanisław Bazan, Zofia Szubra, Marek Stodółka, Bogdan Habrat) the rights to buy E-series bonds in the range of the managerial option scheme giving the pre-emption right to the Eurocash S.A. F-series ordinary shares, under the condition that the Authority will be employed for at least 36 months starting from the date of the Acquisition Agreement of Delikatesy Centrum, i.e. from 16 August 2006 to 16 August 2009.
Each of the Authorities is entitled to buy up to 44.803 E-series bonds.
The offer for E-series bonds can be accepted no earlier than in the first working day subsequent to the end of the 36-month period from the date of the Acquisition Agreement of Delikatesy Centrum, i.e. from 16 August 2009 to 14 August 2010.

Eurocash S.A. will issue the total of 179.212 E-series inscribed shares.
The bonds will bear no interest.
The bond issue price will be 1 polish grosz.
One E-series bond gives priority to subscribe and take up to 3 E-series ordinary inscribed shares.

The Group valued the Incentive Scheme for E-series bonds at 974,2 TPLN. The value has been amortised for the period of 3 years, starting from 16 August 2006.

4) Pursuant to Resolution No. 18 of the Extraordinary General Meeting of 25 April 2006 on issue of the 3rd Incentive Scheme it was decided to issue "D" shares for executive officers, managerial staff and key personnel of Eurocash S.A. and KDWT.
The offer for D-series bonds can be accepted no earlier than in the first day of the period from 1 January 2010 to 31 December 2012 when the Authorities can execute the right to subscribe E-series bonds and no later than in the third working day before the last day of the Third Period of the Options Execution by the Employees.

Eurocash S.A. will issue the total of 63.871 inscribed shares.
The bonds will bear no interest.
The bond issue price will be 1 polish grosz.
One D-series bond gives priority to subscribe and take up to 25 E-series ordinary inscribed shares.

The main requirement for a procuration of the rights to options is 3 year employment period.

The Group valued the Incentive Scheme for D-series bonds at 6.334,6 TPLN. The value has been amortised for the period of 3 years, starting from 1 January 2007.

5) Pursuant to Resolution No. 18 of the Ordinary General Meeting of 28 June on issue of the 4th and 5th Incentive Scheme for employees for years 2007 and 2008 it was decided to issue G and H-series shares for executive officers, managerial staff and key personnel of the Company and Group Eurocash S.A.

The company will issue the total of 81.600 inscribed shares in two series:

- 40.800 F-series inscribed bonds at the nominal value of 1 grosz (PLN 0.01) each, with the right to subscribe G-series ordinary bearer shares with priority over shareholders of the Company;
- 40.800 G-series inscribed bonds at the nominal value of 1 grosz (PLN 0.01) each, with the right to subscribe H-series ordinary bearer shares with priority over shareholders of the Company.

The bonds will bear no interest.
One F-series bond gives priority to subscribe and take up 25 G-series shares.
One G-series bond gives priority to subscribe and take up 25 H-series shares.

The main requirement for acquisition of rights to the options is 3 year employment period.
The list of individuals entitled to remainderman bonds F-series issued by the Supervisory Board the 6 of June 2008 and approved by General Meeting.

The list of individual entitled to remainderman bonds G-series will by issued by the Supervisory Board until the 30 of April 2009 and approved by General Meeting.

De-benture holders F-series have right to subscribe and include shares G-series with priority over shareholders of the Company between the 1 of January 2011 and the 31 of December 2013.
De-benture holders G-series have right to subscribe and include shares H-series with priority over shareholders of the Company between the 1 of January 2012 and 31 of December 2014.

The Group assessed the value of the incentive program for the F series of bonds amounting to 4,493.8 TPLN This value is amortized as of 1 January 2008 for a period of 3 years.

Optional programs are valued using Black – Scholes model. Details of the valuation of each of the programs are presented in the Report of the Management Board of SA Eurocash attached to these financial statements.

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

NOTE 17.
PROVISIONS

Information about provisions is presented in Tables no 17 and 18.

Table no 17

CHANGES IN PROVISIONS AND ACCRUALS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	Provision for employee benefits	Accrual for agency depot commissions	Accrual for costs of transport	Provision for advertising
Provisions and accruals as at 1 January 2007	**5 570 426**	**861 603**	**308 000**	**139 619**
Increases	11 077 013	13 191 261	6 698 886	7 337 153
Decreases	(5 106 400)	(12 940 322)	(6 509 692)	(6 190 898)
Provisions and accruals as at 31 December 2007, including:	**11 541 039**	**1 112 542**	**497 194**	**1 285 874**
- short-term	11 246 255	1 112 542	497 194	1 285 874
- long-term	294 784	-	-	-
Provisions and accruals as at 1 January 2008	**11 541 039**	**1 112 542**	**497 194**	**1 285 874**
Increases	39 619 125	35 963 860	8 205 042	9 167 505
Decreases	(36 736 775)	(36 078 477)	(7 955 629)	(6 904 062)
Provisions and accruals as at 31 December 2008, including:	**14 423 389**	**997 926**	**746 608**	**3 549 317**
- short-term	14 128 605	997 926	746 608	3 549 317
- long-term	294 784	-	-	-

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

Table no 17

CHANGES IN PROVISIONS AND ACCRUALS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008 (continued)

	Media accrual	Provision for individual clients (increase of sales)	Other	Total
Provisions and accruals as at 1 January 2007	**222 597**	**-**	**3 868 492**	**10 970 737**
Increases	3 025 439	1 135 956	14 233 501	**56 699 209**
Decreases	(2 852 710)	-	(14 460 763)	**(48 060 784)**
Provisions and accruals as at 31 December 2007, including:	**395 326**	**1 135 956**	**3 641 230**	**19 609 162**
- short-term	395 326	**1 135 956**	**3 641 230**	**19 314 378**
- long-term	**-**	**-**	**-**	**294 784**
Provisions and accruals as at 1 January 2008	**395 326**	**1 135 956**	**3 641 230**	**19 609 162**
Increases	4 686 857	198 043	42 329 711	**140 170 143**
Decreases	(4 434 535)	(1 135 956)	(17 711 168)	**(110 956 601)**
Provisions and accruals as at 31 December 2008, including:	**647 648**	**198 043**	**28 259 772**	**48 822 704**
- short-term	647 648	198 043	11 115 772	**31 383 920**
- long-term	**-**	**-**	17 144 000	**17 438 784**

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

Table no 18

PROVISIONS AS AT 31 DECMBER 2008

	as at 31.12.2008	as at 31.12.2007
Provision for severant payment	14 423 389	11 541 039
Provision for costs of advertising	3 549 317	1 285 874
Provision for individual clients (increase of sales)	198 043	1 135 956
Provision for agency depot commissions	997 926	1 112 542
Provision for costs of transport	746 608	497 194
Provision for media	647 648	395 326
Provision for restructuring	1 298 808	367 452
Provision for rents	1 395 081	321 795
Provision for costs of advisory and audit services	1 018 799	206 105
Provision for potential risks associated with the acquisitions	17 144 000	-
Provision for pallets	1 145 028	-
Provision contractors	2 635 334	-
Other provisions	3 622 724	2 745 879
	48 822 704	**19 609 162**

NOTE 18.
TRADE LIABILITIES AND OTHER LIABILITIES

Information about trade liabilities and other liabilities is presented in Table no 19.

Table no 19

TRADE LIABILITIES AND OTHER LIABILITIES AS AT 31 DECEMBER 2008

	as at 31.12.2008	as at 31.12.2007
Trade liabilities	**755 086 412**	**505 350 072**
Supplies of traded goods	737 177 057	482 024 614
Services	17 909 355	23 325 458
Current corporate income tax	**6 148 534**	**3 134 237**
Short-term liabilities	**18 462 915**	**15 974 076**
Settlement of VAT	729 630	758 713
Social insurance	3 491 025	2 917 830
Liabilities from purchases of fixed assets	10 813 527	8 767 871
Tax, customs, insurances and other liabilities	1 428 193	1 024 889
Other liabilities	2 000 540	2 504 773
Total liabilities, including:	**779 697 861**	**524 458 386**
- long-term	-	-
- short-term	779 697 861	524 458 386

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

NOTE 19.
LOANS AND CREDITS

Information about loans and credits is presented in Table no 20.

Table no 20

LOANS AND CREDITS AS AT 31 DECEMBER 2008

	Credit destination	Liability amount	Interest rate	Costs for the period from 01.01.2008 to 31.12.2008
Credits		**68 474 416**		**3 067 498**
BRE	overdraft for financing of current activities	68 463 512	WIBOR O/N + bank's margin 0,7 p.p.	2 954 836
ING SA	overdraft for financing of current activities	10 905	WIBOR 1daily + bank's margin from 0,45 to 0,9 p.p.	112 662
Total loans and credits		**68 474 416**		**3 067 498**
- long-term		-		
- short-term		68 474 416		

NOTE 20.
OTHER FINANCIAL LIABILITIES

Information about other financial liabilities is presented in Table no 21 and 22.

Table no 21

OTHER SHORT-TERM AND LONG-TERM FINANCIAL LIABILITIES AS AT 31 DECEMBER 2008

	as at 31.12.2008	as at 31.12.2007
Liabilities under financial lease agreements	30 910 778	13 743 242
	30 910 778	**13 743 242**
- long-term	23 421 786	11 222 655
- short-term	7 488 992	2 520 587

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

FINANCIAL LEASE

Table no 22

LIABILITIES UNDER FINANCIAL LEASE AGREEMENTS AS AT 31 DECEMBER 2008

	as at 31.12.2008 minimum fees	as at 31.12.2008 current value of minimum fees	as at 31.12.2007 minimum fees	as at 31.12.2007 current value of minimum fees
Future minimum fees due to financial lease agreements				
Payable within 1 year	8 713 368	7 488 992	3 261 106	2 520 587
Payable in the period from 1 year to 5 years	19 897 673	16 307 229	6 082 678	3 756 544
Payable in the period of over 5 years	7 749 345	7 114 557	8 463 502	7 466 111
Total future minimum fees due to financial lease agreements	**36 360 386**	**30 910 778**	**17 807 286**	**13 743 242**
Financial costs	5 449 609	X	4 064 044	X
Current value of minimum fees under financial lease agreements	**30 910 778**	**30 910 778**	**13 743 242**	**13 743 242**

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

OPERATING LEASE

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

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

In the case of the agreements concerning trading premises, the price was established per one square meter. Valorization of the prices in conducted on the basis of an annual level of inflation announced by the Main Statistical Office, the changes of the real estate taxes, the changes of the fees for perpetual usufruct and the changes of local fees concerning the leased or tenanted real estate. The payment is the product of the square meters of the area and the price per square meter.
In case 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 23.

Table no 23

LIABILITIES UNDER OPERATING LEASE AGREEMENTS AS AT 31 DECEMBER 2008

	as at 31.12.2008	as at 31.12.2007
Future minimum fees due to operatingl lease agreements		
Payable within 1 year	32 474 429	25 182 237
Payable in the period from 1 year to 5 years	135 481 345	110 815 384
Payable in the period of over 5 years	39 135 294	39 112 858
Total future minimum fees due to operating lease agreements	**207 091 068**	**175 110 478**

In 2008 payments for operating leases amounted to 30.956.786 PLN (2007: 23.579.040 PLN).

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

NOTE 21.
INCOME TAX

Specification of income tax for the reporting period is presented in Table no 24 and 25.

Table no 24

INCOME TAX FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008 (main components)

	for the period od 01.01.2008 do 31.12.2008	for the period od 01.01.2007 do 31.12.2007
Profit and loss account		
Current income tax	**(17 300 629)**	**(14 426 572)**
Current income tax burden	(17 330 477)	(14 171 310)
Adjustment of prior years on current income tax	29 848	(255 262)
Deferred income tax	**980 731**	**(1 882 747)**
Due to creation and reversal of temporary differences	980 731	(1 882 747)
Tax burden recorded in profit and loss account	**(16 319 898)**	**(16 309 318)**

Table no 25

ESTABLISH INCOME TAX BURDEN FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008 (main components)

	for the period od 01.01.2008 do 31.12.2008	for the period od 01.01.2007 do 31.12.2007
Gross profit	**94 687 390**	**74 910 182**
Tax calculated on tax base 19%	(17 990 604)	(14 232 935)
Tax influence from permanent differences between gross profit and tax base	(1 163 938)	(2 152 566)
Negative passing differences and tax losses, in connection which the deferred income tax provision was recognized (no impact for financial result)	882 550	-
Negative passing differences and tax losses, in connection which the deferred income tax provision was no recognized	1 983 999	-
Other differences	(31 905)	76 182
Tax burden shown in profit and losses	**(16 319 898)**	**(16 309 318)**
Effective tax rate	17,24%	21,77%

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

NOTE 22.
DEFFERED INCOME TAX

Deferred income tax is presented in Table no 26.

Table no 26

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	Balance sheet		Profit and loss account		Goodwill	
	as at 31.12.2008	as at 31.12.2007	for the period od 01.01.2008 do 31.12.2008	for the period od 01.01.2007 do 31.12.2007	for the period od 01.01.2008 do 31.12.2008	for the period od 01.01.2007 do 31.12.2007
Deferred income tax provision						
- difference between tax and accounting depreciation and amortization	19 911 271	11 401 898	2 981 608	3 541 995	5 527 767	-
- future revenues	6 593 551	2 949 813	2 817 808	1 739 555	825 930	-
- income from booked interests	101 143	79 839	21 304	79 839	-	-
- lease liabilities	760 790	520 292	(69 736)	44 877	310 233	-
- unrealized exchange rates	22 734	63 848	(43 374)	63 848	2 260	-
- income from rental	35 671	-	35 671	-	-	-
- others	228 075	-	228 075	-	-	-
Gross deferred income tax provision	**27 653 236**	**15 015 690**	**5 971 356**	**5 470 114**	**6 666 190**	**-**

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

Table no 26

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008 (continued)

	Balance sheet		Profit and loss account		Goodwill	
	as at 31.12.2008	as at 31.12.2007	for the period od 01.01.2008 do 31.12.2008	for the period od 01.01.2007 do 31.12.2007	for the period od 01.01.2008 do 31.12.2008	for the period od 01.01.2007 do 31.12.2007
Deferred income tax provision						
- deferment of rebates	3 557 416	2 349 325	(558 568)	(512 684)	(649 523)	-
- revaluation write-off on inventories	2 633 750	1 219 082	(1 151 383)	(337 028)	(263 284)	-
- allowance for bad debts	1 087 803	725 785	(82 018)	261 660	(280 000)	-
- asset for tax loss from previous years	2 343 214	903 366	(1 629 505)	(711 326)	189 657	-
- provision for paid leaves	828 691	717 811	78 541	(231 059)	(189 421)	-
- provision for bonuses	1 369 256	1 397 391	151 718	(1 017 391)	(123 584)	-
- unpaid payable payroll	1 104 673	254 886	(781 099)	(22 763)	(68 688)	-
- provision for agency depot commissions	47 397	47 397	-	-	-	-
- provision for costs of transport	189 606	211 383	21 777	(9 108)	-	-
- unrealized exchange rates	261 354	-	(261 354)	-	-	-
- provision for postal and telecommunication costs	179 554	244 316	64 762	-	-	-
- interests concern lease	141 217	94 467	175 478	(35 947)	(222 229)	-
- other provisions	117 922	72 832	(17 910)	(32 819)	(27 180)	-
- provisions for advisory	196 372	6 290	(190 082)	-	-	-
- provisions for causes in court	228 000	-	(228 000)	-	-	-
- income recognize	26 702	-	(26 702)	-	-	-
- hedging instruments	1 016 880	-	(1 016 880)	-	-	-
- provision for the increase for customers	37 628	215 832	178 204	(215 832)	-	-
- provision of interest income for suppliers	986 282	729 365	(256 916)	(584 635)	-	-
- unpaid interests of liabilities	406 372	-	(406 372)	-	-	-
- other provisions	1 996 036	451 247	(1 015 778)	(138 436)	(529 011)	-
- deferred income tax assets	**18 756 124**	**9 640 774**	**(6 952 087)**	**(3 587 367)**	**(2 163 264)**	**-**
Deferred income tax burden			**(980 731)**	**1 882 747**	**4 502 926**	**-**
Net deferred income tax provision	**12 893 775**	**5 374 916**	**X**	**X**	**X**	**X**
Net deferred income tax assets	**3 996 664**	**-**	**X**	**X**	**X**	**X**

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

NOTE 23.
OTHER LONG-TERM PREPAYMENTS

Other long-term prepayments are presented in Table no 27.

Table no 27

OTHER LONG-TERM PREPAYMENTS AS AT 31 DECEMBER 2008

	as at 31.12.2008	as at 31.12.2007
Rents	192 770	-
Logistic project - Solving	392 834	-
Interests - financual leasing	60 544	-
Concessions on alcohol	755 145	-
Other prepayments	319 867	36 905
	1 721 161	**36 905**

NOTE 24.
NET SALES IN THE REPORTING PERIOD

Net sales are presented in Table no 28.

Table no 28

NET SALES IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	for the period od 01.01.2008 do 31.12.2008	for the period od 01.01.2007 do 31.12.2007
Sales of traded goods	5 979 744 575	4 638 343 918
Provision of services	149 993 712	87 711 912
Total net sales	**6 129 738 287**	**4 726 055 830**

NOTE 25.
COSTS BY NATURE

Costs by nature are presented in Table no 29.

Table no 29

COSTS BY NATURE IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	for the period od 01.01.2008 do 31.12.2008	for the period od 01.01.2007 do 31.12.2007
Amortisation	42 960 482	35 685 520
Materials and power	32 270 327	19 143 474
Third party services	143 098 517	108 709 776
Fees and taxes	7 892 690	5 057 393
Payroll	134 406 540	101 445 379
Social insurance and other benefits	25 755 197	19 892 884
Other costs by nature	28 721 098	19 313 129
Costs by nature	**415 104 850**	**309 247 555**
including:		
Costs of sales	278 057 690	221 964 081
Costs of general management	137 047 160	87 283 475

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

NOTE 26.
OTHER OPERATING REVENUES AND COSTS

Other operating revenues and costs are presented in Table no 30.

Table no 30

OTHER OPERATING REVENUES AND COSTS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	for the period od 01.01.2008 do 31.12.2008	for the period od 01.01.2007 do 31.12.2007
Other operating revenues	**15 212 870**	**12 301 438**
Penalties for suppliers	3 871 481	3 505 241
Other sales	2 905 771	2 579 495
Sub-lease of premises	1 962 162	1 562 367
Compensation received	1 419 079	776 327
Revenus from transport services	1 243 038	838 672
Profit from fixed assets sales	175 880	-
Allowance on trade receivables	582 855	-
Other operating revenues	3 052 603	3 039 336
Other operating costs	**(25 795 563)**	**(18 058 350)**
Inventory shortages	(14 503 697)	(9 997 759)
Liquidation of damages and expired goods	(6 672 225)	(3 446 372)
Losses from sales fixed assets	(1 830 192)	-
allowance for bad debts	(2 518 627)	-
Revaluation write-off on inventories	509 540	-
Costs to charge	(565 890)	(1 215 202)
Other operating costs	(214 472)	(3 399 017)
Net other operating revenues (costs)	**(10 582 694)**	**(5 756 912)**

NOTE 27.
FINANCIAL REVENUES AND COSTS

Financial revenues and costs are presented in Table no 31.

Table no 31

FINANCIAL REVENUES AND COSTS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	for the period od 01.01.2008 do 31.12.2008	for the period od 01.01.2007 do 31.12.2007
Financial revenues	**3 038 718**	**1 776 409**
Revenues from the sale of shares	(293 276)	-
Interest	3 407 562	1 162 396
Exchange gains	3 887	(144 129)
Other financial revenues	(79 455)	758 142
Financial costs	**(22 101 349)**	**(13 460 823)**
Interest	(13 151 389)	(11 890 240)
Exchange losses	(5 932 935)	(119 902)
Other financial costs	(3 017 025)	(1 450 681)
Net financial revenues (costs)	**(19 062 630)**	**(11 684 415)**

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

(Net) exchange gains (losses) are presented in Table no 32.

Table no 32

NET EXCHANGE GAINS/LOSSES IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	for the period od 01.01.2008 do 31.12.2008	for the period od 01.01.2007 do 31.12.2007
Financial revenues	3 887	(144 129)
Financial costs	(5 932 935)	(119 902)
Total	**(5 929 048)**	**(264 031)**

NOTE 28.
EARNINGS PER SHARE

Information about earnings per share is presented in Table no 33.

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

Table no 33

EARNINGS PER SHARE FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	for the period od 01.01.2008 do 31.12.2008	for the period od 01.01.2007 do 31.12.2007
Earnings		
Net earnings of a given year for the purpose of calculating earnings per share for distribution among shareholders	78 487 385	58 880 826
Effect of dilution of ordinary shares:		
Interest on bonds convertible into shares (after tax)	-	-
Earnings disclosed for the needs of calculating diluted earnings per share	78 487 385	58 880 826
Number of issued shares		
Weighted average number of shares disclosed for the needs of calculating diluted earnings per share	130 969 660	130 928 889
Effect of dilution of a potential number of ordinary shares:		
The effect of realisation of share in 2008	-	(2 335 425)
The effect of realisation of share in 2009	(851 730)	(851 465)
Bonds convertible into shares	4 183 198	4 929 680
Weighted average number of ordinary shares (for the needs of calculating diluted earnings per share)	134 301 128	132 671 679
Earnings per share		
- basic	0,60	0,45
- diluted	0,58	0,44
Continued operations		
Net earnings of a given year to be distributed among shareholders	78 487 385	58 880 826
Exclusion of loss on discontinued operations	(88 831)	(279 962)
Net earnings on continued operations, upon excluding the result on discontinued operations	78 398 554	58 600 864
Effect of dilution of the number of ordinary shares:		
Interest on bonds convertible into shares (after tax)	-	-
Earnings on continued operations disclosed for the needs of calculating diluted earnings per share, upon excluding the result on discontinued operations	**78 398 554**	**58 600 864**
Earnings per share		
- basic	0,60	0,45
- diluted	0,58	0,44

Description of share diluting factors

Diluted earnings per share is an effect of the option schemes valuation presented in Note no 15.

NOTE 29.
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.

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

Table no 34

BOOK VALUE PER SHARE ON 31 DECEMBER 2008

	as at 31.12.2008	as at 31.12.2007
Book value	283 450 881	233 393 828
Number of shares	130 777 550	127 742 000
Diluted number of shares	137 955 511	137 093 511
Book value per share	2,17	1,83
Diluted book value per share	2,05	1,70

NOTE 30.
INFORMATION ABOUT RELATED COMPANIES

No significant transactions with related undertakings were concluded in the 2008 year, apart from the transactions based on the Company's ordinary operations and market conditions.

The below table (Table no 35) 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 2008 to 31 December 2008.
There were no other transactions related to the members of the Management Board and the Supervisory Board and the companies personally related to the Management Board and the Supervisory Board.

Table no 35

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF DOMINANT UNIT IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	Basic salary	Other benefits	Management optoins	Total
Remuneration of Management Board members				
Luis Amaral	300 000	519 753	-	819 753
Rui Amaral	540 000	322 127	508 988	1 371 115
Arnaldo Guerreiro	240 000	26 926	476 087	743 013
Pedro Martinho	480 000	321 963	248 613	1 050 576
Katarzyna Kopaczewska	360 000	133 020	180 318	673 338
Jacek Owczarek**	97 222	5 328	-	102 550
Roman Piątkiewicz*	30 000	9 000	-	39 000
Ryszard Majer	320 833	299 228	140 870	760 932
	2 368 055	**1 637 345**	**1 554 876**	**5 560 276**

** Effective March 3, 2008 Roman Stefan Piątkiewicz resigned from the position of Member of the Company's Management Board.*
*** Effective November 22, 2008 Jacek Owczarek was appointed to the position of Member of the Campany's Management Board*

	Basic salary	Other benefits	Management optoins	Total
Remuneration of Supervisory Board memebrs				
Joao Borges de Assuncao	91 535	-	-	91 535
Eduardo Aguinaga de Moraes	43 937	-	-	43 937
Ryszard Wojnowski	43 937	-	-	43 937
Janusz Lisowski	43 937	-	-	43 937
Antonio Jose Santos Silva Casanova	43 937	-	-	43 937
	267 283	**-**	**-**	**267 283**

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

Table no 35

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD OF SUBSIDIARY AND ASSOCIATES IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008 (continued)

	Basic salary	Other benefits	Management optoins	Total
Remuneration of Management Board members KDWT S.A.				
Roman Piątkiewicz*	132 000	524 994	96 433	753 427
Mieczysław Kuśnierczak*	132 000	386 798	35 477	554 275
Arnaldo Guerreiro	120 000	-	-	120 000
	384 000	**911 792**	**131 911**	**1 427 702**

* Effective March 3, 2008 Roman Stefan Piątkiewicz resigned from the position of President of the Management Board of KDWT S
Effective March 3, 2008 Mieczysław Kuśnierczak resigned from the position of Vice-president of the Management Board of KDWT

	Basic salary	Other benefits	Management optoins	Total
Remuneration of Management Board members Eurocash Franszyza sp. z o.o.				
Pedro Martinho	60 000	-	-	60 000
Katarzyna Kopaczewska	42 000	-	-	42 000
Michał Bartkowiak	42 000	-	-	42 000
	144 000	**-**	**-**	**144 000**

	Basic salary	Other benefits	Management optoins	Total
Remuneration of Management Board members McLane sp. z o.o.				
Arnaldo Guerreiro	240 000	-	-	240 000
Katarzyna Kopaczewska	3 500	-	-	3 500
Jacek Owczarek	19 474	-	-	19 474
Geoffre Crossley	400 000	-	-	400 000
Robert Schneyder*	194 516	-	-	194 516
Johny Baird	369 408	-	-	369 408
Terry Kailey*	57 105	-	-	57 105
	1 284 003	**-**	**-**	**1 284 003**

* Effective June 27, 2008 Roman Terry Kaily resigned from the position of Member of the Management Board of McLane Sp. z o.c
* Effective October 15, 2008 Robert Schneyder resigned from the position of Member of the Management Board of McLane Sp. z

	Basic salary	Other benefits	Management optoins	Total
Remuneration of Management Board members Nasze Sklepy sp. z o.o.				
Piotr Fedorczuk*	42 405	-	-	42 405
Ireneusz Ługowski	17 728	-	-	17 728
Pedro Martinho	3 500	-	-	3 500
Michał Bartkowiak	3 500	-	-	3 500
	42 405			**42 405**

* Effective August 29, 2008 Piotr Fedorczuk resigned from the position of Member of the Management Board of Nasze Sklepy Sp.

	Basic salary	Other benefits	Management optoins	Total
Remuneration of Management Board members PayUp Polska S.A.				
Zbigniew Furmańczak	24 000	-	-	24 000
	24 000	**-**	**-**	**24 000**
Remuneration of Supervisory Board members PayUp Polska S.A.				
Artur Lebiedziński	11 250	-	-	11 250
	11 250			**11 250**

Supervisory Board members KDWT S.A. McLane Sp. z o.o. and Nasze Sklepy Sp. z o.o. in the consolidate period did not received remuneration as memberships Supervisory Boards a.m. companies.

NOTE 31.
INFORMATION ABOUT THE HEADCOUNT

Information about the headcount as at 31 December 2008 is presented in Table no 36.

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

Table no 36

HEADCOUNT AS AT 31 DECEMBER 2008

	as at 31.12.2008	as at 31.12.2007
Number of employees	3 874	3 042
Number of full-time jobs	3 773	2 987

Information about the structure of employment as at 31 December 2008 is presented in Table no 37.

Table no 37

STRUCTURE OF EMPLOYMENT AS AT 31 DECEMBER 2008

	Depots and distribution centres	Head office	Total
Number of employees	3 335	539	**3 874**
Number of full-time jobs	3 264	509	**3 773**

Information about rotation of personnel as at 31 December 2008 is presented in Table no 38.

Table no 38

ROTATION OF PERSONNEL IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	for the period od 01.01.2008 do 31.12.2008	for the period od 01.01.2007 do 31.12.2007
Number of employees hired	2 630	1 728
Number of employees dismissed	(1 798)	(1 302)
	832	**426**

NOTE 32.
OFF-BALANCE SHEET ITEMS

As at 31 December 2008 the value of contingent liabilities due to granted bank guarantees is of PLN 1.581.362. Detailed specification is presented in Table no 39.

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

Table no 39

CONTINGENT LIABILITIES DUE TO GRANTED BANK GUARANTEES AS AT 31 DECEMBER 2008

.	Beneficjent	Title	Currency	as at 31.12.2008	as at 31.12.2007
2.	HSBC	payables for rental	PLN*	81 362	-
3.	Hewlett Packard	payables concern computer hardware	PLN	-	1 302 335
6.	Millennium S.A.	the guarantee of a bank guarantee for PTK Centertel SA (PayUp liabilities)	PLN	1 500 000	-
				1 581 362	**1 302 335**

* converted at an average rate of NBP as at 31 December 2008 = 4,1724

NOTE 33.
SECURINGS ON ASSETS

As at 31 December 2008 the value of securing on assets is of PLN 113.173.466
Detailed specification is presented in Table no 40.

Table no 40

SECURINGS ON ASSETS AS AT 31 DECEMBER 2008

Title	Secured property	Amount secure in PLN
BRE BANK S.A.Guarantee on securing the liabilities due to rental	Deposit on inventories	260 467
Tulipan - payments for rental in distribution center Komorniki	Deposit	1 981 890
	Deposit on inventories	1 981 890
Securing of liabilities the rental in Błonie	Deposit on inventories	1 000 000
Securing of liabilities the rental in Czeladź	Deposit on inventories	500 000
BRE BANK S.A Guarantee on securing the payment for suppliers	Deposit on inventories	20 000 000
MILLENIUM S.A Guarantee on securing the payment for suppliers	Deposit on inventories	35 500 000
BRE Bank - tripartite agreement on the guarantee of credit sales	Deposit on inventories	17 000 000
Financial leasing agreements	Deposit on fixed assets in financial leasing	34 949 219
Total securings		**113 173 466**

NOTE 34.
FINANCIAL RISK MANAGEMENT

a. General information

The Group's activities expose it to a variety of financial risk listed below:

- credit risk,
- liquidity risk,
- market risk.

This note presents the overall information about the exposition to those risks and also describes the Group's objectives, policy and procedures related to financial and capital risk management. All the sufficient data is disclosed in these consolidated financial statements.

The Management Board is responsible for an assignment and accomplishment of the risk management policy. In order to do that, the Management Board called the risk management team that is responsible for building and monitoring of the mentioned policy. The team report directly to the Management Board on a regular basis.

The risk management team has been called in order to identify and analyse all the risks on the financial performance of the Group, to define suitable limits and control indicators and also to monitor the limit deviations. The policy and the overall risk management program are analysed on a regular basis due to continuous changes of the market conditions and the Group's operations. By the qualifications increase, standards and procedures adoption the Group aims for disciplined and positive environment in which all the employees understand their role and duties.

There is an internal audit department within the Group's structure. A part of the responsibilities range of the department is to control the implementation of the risk management principles and procedures. The audit department shall conduct all the controls according to the plan as well as any ad hoc ones.

b. Credit risk

Credit risk is most simply defined as the potential that a customer or a counterparty will fail to meet its obligations in accordance with agreed terms which results in a financial loss of the Group.
In addition, credit risk may be connected with the Group's trade receivables and financial investments.

The below table (Table no 41) presents the Group's maximum credit risk exposure.

Table no 41 in PLN thousand	as at 31.12.2008	as at 31.12.2007
Accounts receivable and loans	359 520	235 107
Cash and cash equivalents	144 149	131 461
	503 669	**366 568**

Trade receivables and other receivables

Credit risk related to the Group's trade receivables may differ significantly depending on the customer group:

- cash transactions determine more than 90% of sale of all the warehouses therefore is not burdened by credit risk,
- sale of marketing services to suppliers (promotions, leaflets, folders etc.) is burdened by minor credit risk as the related receivables are discounted from their obligations,
- sale of the FMCG goods to the Group's subsidiary, i.e. KDWT S.A.; although there is a relatively significant amount of the overdue trade receivables, credit risk is considered as moderate.

In case of the overdue receivables the Group uses dunning letters on a regular basis, takes legal action and writes off bad debts if necessary.

The below tables (Table no 42 and 43) presents aged debtor analysis and the write-offs.

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

Table no 42
AGEING OF TRADE RECEIVABLES

	Trade receivables gross as at 31.12.2008	Bad debts allowance as at 31.12.2008	Trade receivables gross as at 31.12.2007	Bad debts allowance as at 31.12.2007
0-30 days	286 973 146	3 460 583	154 795 893	-
31-90 days	31 195 153	-	39 923 541	-
91-180 days	7 011 125	5 938 356	23 907 803	-
> 180 days	8 595 799	3 163 610	7 636 391	6 149 638
	333 775 223	**12 562 549**	**226 263 628**	**6 149 638**

Table no 43
Bad debts allowance

	for the period from 01.01.2008 to 31.12.2008	for the period from 01.01.2007 to 31.12.2007
Balance as at beginning of the period	6 149 638	7 110 931
Increases	37 874 924	7 494 482
Decreases	(31 462 013)	(8 455 775)
Balance upon changes	**12 562 549**	**6 149 638**

Investments
The Group only deals with the reputable financial institutions in case of cash and cash equivalent placement.

Guarantees
The Group grants only related parties and the most significant for its operations counterparties with the guarantees. As at 31 December 2008 the Group no receivables are reported from guarantees granted.

c. Liquidity risk

Liquidity risk is the risk stemming from the lack of possibility to settle the financial liabilities when they are due.

The liability risk management policy postulates to maintain sufficient cash in order to allow the financial and investment liabilities to be settled when they are due for payment with respect of the Group's reputation and loss avoidance.

Liquidity management focuses on a detailed analysis, planning and taking appropriate action within the following fields:

- investments in fixed assets,
- working capital.
- net debt.

The continuous risk management in the above areas and the Group's market and financial position allows to state that the risk of liquidity loss is obtained at a minimum level.

The below tables (Tables no 44) present the carrying amounts of the Group's liabilities classified due to the settlement periods overriding any compensation agreements.

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

Table no 44

AS AT 31 DECEMBER 2008

	Net book value	< 12 months	1-5 years	over 5 years
Financial lease liabilities	30 910 778	7 488 992	16 307 229	7 114 557
Trade and other liabilities	779 697 861	779 697 861	-	-
Bank overdrafts	68 474 416	68 474 416	-	-
	879 083 055	**855 661 269**	**16 307 229**	**7 114 557**

Table no 44

AS AT 31 DECEMBER 2007

	Net book value	< 12 months	1-5 years	over 5 years
Financial lease liabilities	13 743 242	2 520 587	3 756 544	7 466 111
Trade and other liabilities	524 458 385	524 458 385	-	-
Bank overdrafts	73 148 384	73 148 384	-	-
	611 350 011	**600 127 356**	**3 756 544**	**7 466 111**

d. Market risk

Market risk is connected with key factors changes, i.e. demand, supply and prices as well as any other factors that may affect the Group's performance or possessed assets value like exchange rates, interest rates, prices of the capital. Therefore the market risk management focuses on the risk exposure maintenance at a level that is acceptable by the Group and return on risk optimisation at the same time.

Currency risk

As the Group conducts most of its transactions in the local currency, currency risk is not considered as a relevant threat. The Group does not protect against currency risk in transactions connected with basic operation. The currency transactions protection is consider in case of non-standards transactions in foreign currencies.

Interest rate risk

As the Group has no significant interest-bearing assets, the Group's performance is considered as independent of changes in market interest rates.

The below table (Table no 45) presents the Group's maximum exposure to interest rate risk through the analysis of the financial instruments classified on a basis of fixed and changeable interest rates.

Table no 45

FLOATING AND FIXED INTEREST RATE INSTRUMENTS

in PLN thousand	Present value 31.12.2008	Present value 31.12.2007
Fixed interest rate instruments		
Financial assets	15	-
Financial liabilities	30 911	13 743
Floating interest rate instrument		
Financial assets	182 457	146 444
Financial liabilities	86 937	89 122

The Group conducted the sensitivity analysis of financial instruments with changeable interest rate to hypothetical changes in market interest rates. The analysis assumed that all other factors are constant (exchange rates for instance). The analysis has been conducted for the current and comparable period i.e. 2007. The below table (Table no 46) shows the effect of interest rate increase and decrease of 100 bp to profit and loss and equity.

Table no 46
FINANCIAL INSTRUMENTS' SENSITIVITY ANALYSIS

in PLN thousand	Income statement increases 100bp	decreases 100bp	Equity increases 100bp	dereases 100bp
31 December 2008	955	(955)	-	-
31 December 2007	573	(573)	-	-

e. Capital risk management

The main assumption of the Group's capital risk management policy is to maintain a strong capital base that will build the trust of the Group's investors, creditors and the market and also will strengthen the future development.

The Group controls changes within shareholders structure, return on equity indexes and dividend payments to shareholders. The aim is to achieve such a level of the return on equity and dividend payment that would satisfy the shareholders.

In the reporting period there were no amendments to the objectives, principles and processes in this field.

f. Fair value estimation

The below table (Table no 47) presents the components fair value in comparison with their carrying amounts.

Table no 47
FAIR VALUES

in PLN thousand	Net book value 31.12.2008	Fair value 31.12.2008	Net book value 31.12.2007	Fair value 31.12.2007
Assets	**503 669**	**503 669**	**366 568**	**366 568**
Trade and other receivables	359 520	359 520	235 107	235 107
Cash and cash equivalents	144 149	144 149	131 461	131 461
Liabilities	**(879 083)**	**(879 083)**	**(611 350)**	**(611 350)**
Credits	(68 474)	(68 474)	(73 148)	(73 148)
Financial lease liabilities	(30 911)	(30 911)	(13 743)	(13 743)
Trade and other liabilities	(779 698)	(779 698)	(524 458)	(524 458)
	(375 414)	**(375 414)**	**(244 782)**	**(244 782)**

NOTE 35.
SALE OF THE COMPANY'S SUBSIDIARIES

On 30th of November 2008 Eurocash S.A. sold to company FHC Sp. z o.o. spółka komandytowa with its registered office in Krosno 100% shares capital of subsidiaries company Eurocash Detal Sp. z o.o. for a total price of 8.300.000 PLN.

NOTE 36.
DISCONTINUED OPERATIONS

In connection with sales subsidiary company Eurocash Detal Sp. z o.o. bellow was presented analysis positions “Net result on discontinued operations: and “Cash flow on discontinued operations”

NET RESULT ON DISCONTINUED OPERATIONS

	2008	2007
Discontinued operations		
Net sales	**3 432 970**	**3 809 870**
Costs of sales	(3 171 886)	(3 476 827)
Costs of general management	(154 210)	(163 186)
Profit (loss) on sales	**106 874**	**169 857**
Other operating revenues	167	14 641
Other operating costs	(26 023)	(1)
Operating profit (loss)	**81 019**	**184 497**
Financial revenues	2	1
Financial costs	(1 409)	(62 839)
Profit (loss) before tax	**79 611**	**121 659**
Income tax	9 220	158 303
Net profit (loss) on discontinued operations	**88 831**	**279 962**

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

ON DISCONTINUED OPERATIONS	2008	2007
Operating cash flow		
Net profit before tax	**3 280**	**121 659**
Adjustments:	**573 182**	**607 692**
Depreciation	546 804	611 901
(Profit) loss on sold tangible fixed assets	26 359	(14 641)
Costs of interest	18	10 432
Operating cash before changes in working capital	**576 462**	**729 351**
Changes in inventory	-	-
Changes in receivables	(9 826)	1 759 605
Changes in liabilities	(23 749)	(221 712)
Changes in provisions and accruals	2 744	(57 584)
Other adjustments	-	-
Operating cash	**545 630**	**2 209 661**
Interest paid	(18)	(10 432)
Income tax paid	10 107	(20 003)
Net operating cash	**555 719**	**2 179 226**
Investment cash flow		
Expenditures for purchased tangible fixed assets	(10 454)	(34 044)
Receipts from sold tangible fixed assets	-	33 144
Net investment cash	**(10 454)**	**(900)**
Financing cash flow		
Repaid loans and credits	-	(399 537)
Net financing cash	**-**	**(399 537)**
Net change in cash and cash equivalents	**545 265**	**1 778 789**
Cash and cash equivalents at the beginning of the period	1 779 553	764
-	-	-
Cash and cash equivalents at the end of the period	**2 324 818**	**1 779 553**

NOTE 37.
IMPORTANT EVENTS AFTER THE BALANCE-SHEET DATE

There was not any important events after balance-sheet date.

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

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President	Luis Amaral	27th April 2009	
Management Board Member Chief Executive Officer	Rui Amaral	27th April 2009	
Management Board Member	Arnaldo Guerreiro	27th April 2009	
Management Board Member	Pedro Martinho	27th April 2009	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	27th April 2009	
Management Board Member Administration and Non-Comercial Purchasing Director	Ryszard Majer	27th April 2009	
Management Board Member Financial Director	Jacek Owczarek	27th April 2009	

EUROCASH GROUP

REPORT OF THE MANAGEMENT BOARD

FOR THE PERIOD FROM 1st JANUARY 2008 TO 31st DECEMBER 2008

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, 27th April 2009

CONTENTS

1. Summary of Eurocash Group activities in 2008

2008 was another record year for Eurocash – leading group in FMCG wholesale distribution in Poland. Consolidated sales of the Eurocash S.A. capital group ("Eurocash Group", "Group") in 2008 reached PLN 6.13 billion, EBITDA amounted to PLN 158.46 million and net profit to PLN 78.46 million. Eurocash Group finished 2008 with a very strong balance sheet and net cash position (cash less bank debt) of PLN 75.7 million.

Table 1 Eurocash Group: Summary of 2008 financial results

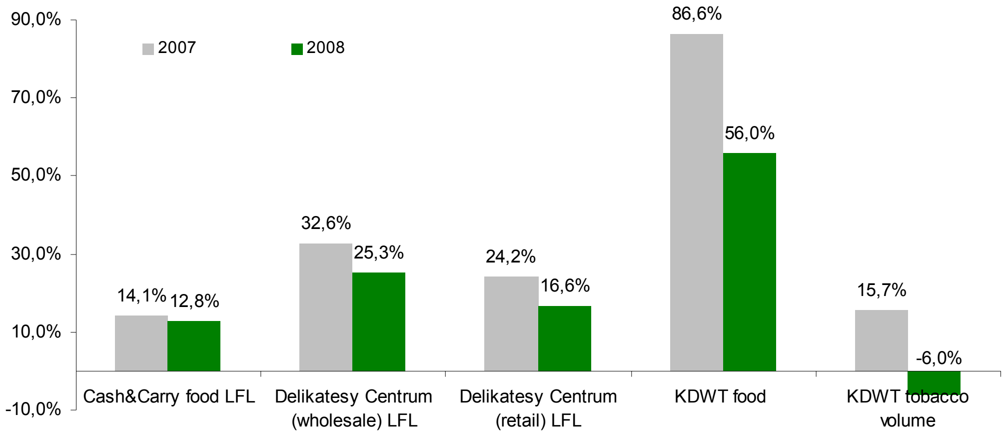
PLN million	**2008**	**2007**	**Change 2008/ 2007**
Revenues	6 129,74	4 726,06	29,70%
EBITDA	158,46	122,28	29,59%
(EBITDA %)	2,59%	2,59%	0,00 p.p.
EBIT	115,50	86,59	33,38%
(EBIT %)	1,88%	1,83%	0,05 p.p.
Net profit	78,46	58,88	33,25%
(Net profit %)	1,28%	1,24%	0,04 p.p.

The strong sales growth of Eurocash Group in 2008 was attributable both to strong organic growth in all business units and to acquisition of McLane Polska, which added PLN 657.22 million of external sales to the 2008 consolidated results.

The Eurocash cash&carry chain increased by 9 reaching 111 outlets, while the number of Delikatesy Centrum franchise stores increased by 81 and reached 376 outlets at the end of 2008. Also same-store sales growth (like-for-like) was high reaching 13% in Eurocash cash&carry unit (excluding tobacco and pre-paid phone cards) and 25% in Delikatesy Centrum unit. LFL sales growth of the retail sales of the Delikatesy Centrum franchise stores amounted in 2008 to 17%.

Total sales of KDWT grew by 11%, accompanies with decrease of tobacco sales in volume terms by 6% compared with 2007. Main factor influencing KDWT sales growth was increase of tobacco proces due to increase of excise tax rate on tobacco during 2008.

Chart 1 Organic growth parameters in 2008



** excluding tobacco and pre-paid phone cards*
Source: Eurocash

2. Eurocash Group business overview

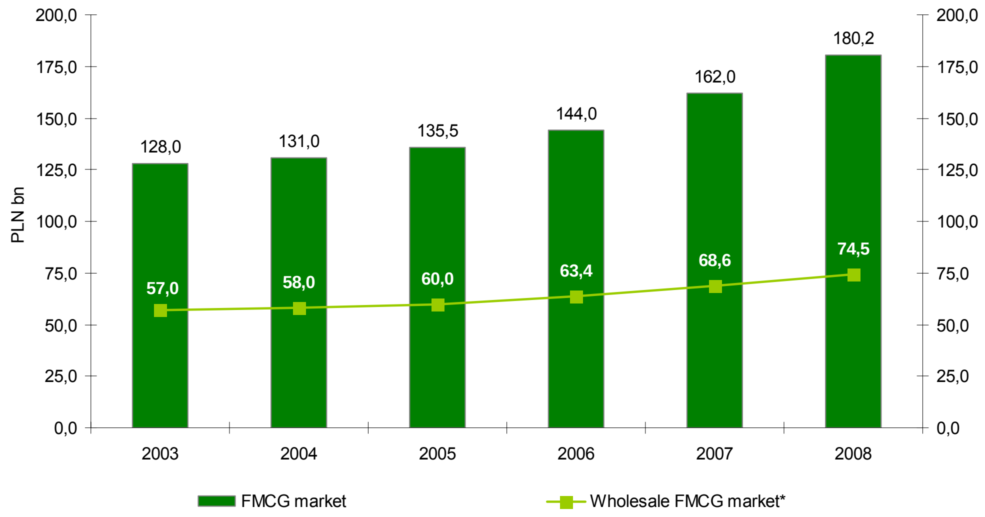
2.1. Market

Eurocash Group is positioned in the FMCG (Fast Moving Consumer Goods) sector. The FMCG sector includes food and non-alcoholic beverages, alcoholic beverages and tobacco, as well as detergents and cosmetics. The market has been growing steadily up to 2006 - by about 3% annually. Starting from 2006, the acceleration of economic growth allows for more dynamic expansion of the market. In 2008 FMCG market in Poland grew by 11.2% and exceeded a value of PLN 180 bn (according to Gfk Polonia).

The wholesale market is organized primarily to service both traditional and alternative channels (HoReCa – Hotels, Restaurants, Cafés). According to Eurocash calculation the wholesale market value reached PLN 74.5 bn in 2008. Comparing to 2007 the wholesale market value grew by 8.6%.

Chart 2 presents the FMCG retail market dynamic in consumer prices and wholesale distribution market dynamics. The value of the wholesale market was estimated on the basis of the Gfk Polonia data after a deduction of the sale from modern distribution channels (hypermarkets, supermarkets and discount stores) and a correction by estimated retail markup and value added tax to reach market value in wholesale prices.

Chart 2 Development of the FMCG retail and wholesale market in Poland



** wholesale market value – Eurocash calculation based on Gfk Polonia data*
Source: Gfk Polonia, own calculation

The Polish demographic structure and the socio-economic conditions define, to a large extent, the structure of the distribution channels. Such a structure is nowhere to be found elsewhere in Europe. Poland's population is dispersed throughout the country: some 40% of the population lives in the rural areas. Making the FMCG products available to a large number of small communities presents a huge challenge to distributors and requires a large number of smaller outlets.

The effect of the above factors is that the traditional distribution channel dominates the Polish market and in a few years perspective it will remain more important than the modern channel (hypermarkets, supermarkets and discount stores).

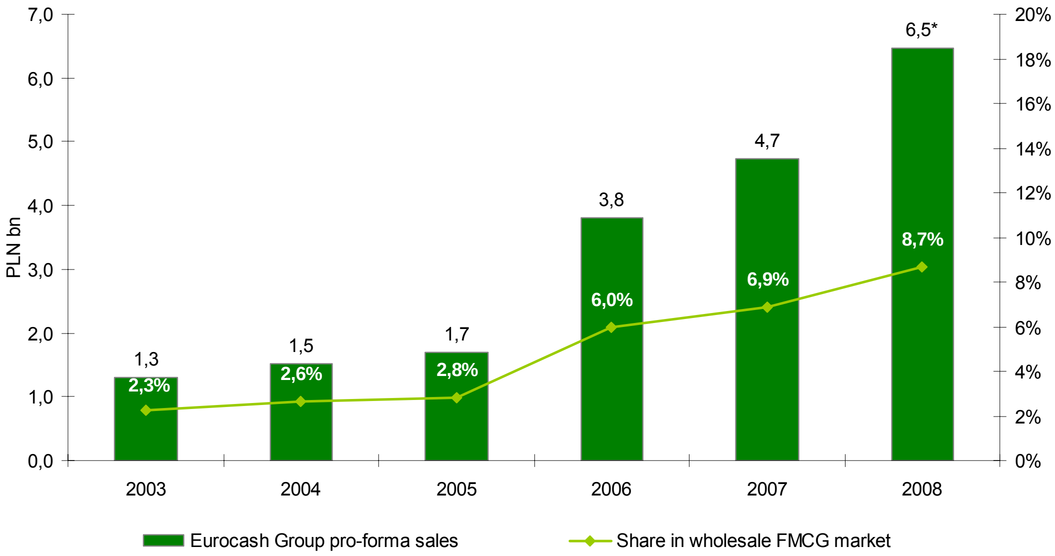
Since 1995 a significant concentration has been observed: of more than 20,000 previously existing wholesale companies, fewer than 5,000 have remained. This concentration takes place at the expense of small local wholesalers who cannot compete with the ever more demanding legal and market conditions. Eurocash Group is the one of the biggest FMCG wholesalers in Poland.

In the opinion of Eurocash, the FMCG wholesale market is extremely attractive due to its value, declining number of competitors, existence of few international players and also because of the existence of many communities without professional operators, which are too small for the concepts requiring huge investments. Eurocash sees an opportunity of further growth by becoming an active player in this process and also one of the main consolidation centers on the wholesale market.

2.2. Eurocash Group - overview

EUROCASH Group is the leader in wholesale distribution of the Fast Moving Consumer Goods (FMCG) in Poland. With a range of wholesale distribution formats it concentrates on wholesale supply of FMCG to a broad range of traditional retailers across the whole country. Pro-forma sales of Eurocash Group in 2008 (including full year sales of McLane Polska) reached PLN 6.5 bn, what gave Eurocash Group 8.7% share in the wholesale FMCG distribution market.

Chart 3 Sales dynamics and FMCG wholesale market share of the Eurocash Group



** 2008 revenues include sales of McLane Polska for the full year 2008.*

Source: Eurocash

The business portfolio of Eurocash Group includes:

- nation-wide chain of **discount cash&carry stores**
- **franchise systems for retail shops** - ranging from strict to loose franchise concepts under brands such as: abc, Delikatesy Centrum and IGA.
- **active distribution of tobacco and impulse products** such as confectionary, drinks, pre-paid cards and alike to traditional shops and gas stations
- **food-service business** supplying fast-food chains such as KFC, Pizza Hut, Burger King, Coffee Heaven

Eurocash Group - business units:

EUROCASH Cash & Carry – largest chain of 111 discount cash & carry stores in Poland. Eurocash Cash & Carry is also franchisor of over 2 836 "abc" independent grocery stores.

Delikatesy Centrum – leading chain of 376 franchise supermarkets in south-eastern Poland. Eurocash Group provides franchisees with wholesale deliveries, operational support and coordinated marketing activities.

KDWT – active distribution of tobacco and impulse products such as confectionery, batteries or telephone cards. KDWT operations are nation-wide with 83 branches and specialised sales force.

McLane Polska – wholesale distributor specializing in FMCG supply to petrol stations, food-chains and large grocery stores. The company also manages countrywide chain of over 300 IGA franchise supermarkets.

PayUp Polska - distributor of electronic financial services through a network of 3200 terminals located in shops throughout Poland. Among these innovative financial services there are mobile phones top-ups and, shortly, bill payments and card acceptances.

2.3. Capital and organizational relations in Eurocash Group

As at 31 December 2008 Eurocash Group consisted of Eurocash S.A. as parent company (further referref to as “Company”, “Eurocash”) and the following entities:

- KDWT S.A. (subsidiary with 100% ownership);
- Eurocash Franszyza Sp. z o.o. (subsidiary with 100% ownership);
- McLane Polska Sp. z o.o. (subsidiary with 100% ownership from 30.04.2008);
- Nasze Sklepy Sp. z o.o. (subsidiary with 53,39% ownership from 14.05.2008);
- PayUp Polska S.A. (associate company with 49,00% ownership from 13.05.2008).

Main shareholder of Eurocash is Luis Amaral (directly and indirectly through Politra B.V.) holding 53,72% of shares as at 31.12.2008. Luis Amaral serves as President the Management Board.

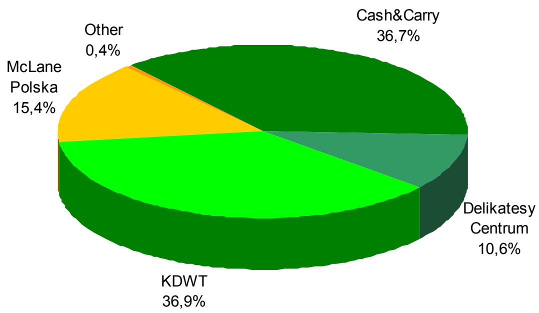
Detailed information regarding the Group organisational structure with emphasis on the entities included in the consolidation process can be found in the paragraph 1.6. in the additional information to the consolidated financial statements for the year ended 31.12.2008.

2.4. Sales structure

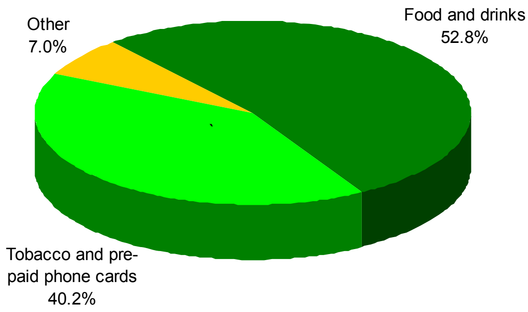
In the sale structure of the Eurocash Group basic groceries from the key FMCG manufacturers hold predominant position. In 2008 the share of these products accounted for 48,64% of total sales figure (pro-forma) including the whole year sales of McLane Polska in 2008. Considering the significance, second position belongs to cigarettes, phone cards and prepaid top-ups with a share of 40.24%.

Chart 4 Sales structure of the Eurocash Group in 2008

Sales structure (business units)



Sales structure (main product categories)



Source: Eurocash

The tables below present sales breakdown by the business units and key groups of products offered by the Group.

Table 2 Eurocash Group: Sales structure in 2008

PLN million	Cash&Carry	Delikatesy Centrum	KDWT	McLane Polska	Other	Total
Food and drinks	2 053,7	613,6	87,5	658,5	0,0	3 413,2
Tobacco and pre-paid phone cards and mobile top-ups	90,0	0,0	2 214,0	296,1	0,0	2 600,1
Other	228,9	73,8	83,2	41,5	28,0	455,4
Total pro-forma	**2 372,6**	**687,4**	**2 384,6**	**996,1**	**28,0**	**6 468,6**
McLane Polska sales in period from 1.01-30.04.2008				338,9		338,9
Eurocash Group sales	**2 372,6**	**687,4**	**2 384,6**	**657,2**	**28,0**	**6 129,7**

Table 3 Eurocash Group: Sales structure in 2007

PLN million	Cash&Carry	Delikatesy Centrum	KDWT	McLane Polska	Other	Total
Food and drinks	1 736,5	436,5	56,0	n.d.	0,0	2 229,0
Tobacco and pre-paid phone cards and mobile top-ups	106,1	0,0	2 029,2	n.d.	0,0	2 135,3
Other	210,8	56,8	76,6	n.d.	18,0	362,1
Total pro-forma	**2 053,3**	**493,3**	**2 161,8**	n.d.	**18,0**	**4 726,5**
McLane Polska sales in period from 1.01-30.04.2008						0,0
Eurocash Group sales	**2 053,3**	**493,3**	**2 161,8**	**n.d.**	**18,0**	**4 726,5**

2.5. Customers

The Eurocash Group offers the products mainly to traditional grocery stores which comprise the most significant group of customers within ca 60 000 clients of the Eurocash Group. A substantial share within the sale of the Group belongs to the sales to the abc franchise chain and Delikatesy Centrum stores. As at 31.12.2008 there were 2 836 abc chain stores supplying in the Eurocash Cash&Carry wholesale stores and 376 stores were concentrated within Delikatesy Centrum chain.

Because of acquisition of McLane Polska, the customer base of Eurocash Group widened by the segments of gas station chains and restaurant chains. Broader customer base allowed to diversify Eurocash Customer base in which traditional grocery shops are predominant.

Because of the great sales dispersal, none of the customers of the Eurocash Group achieved the level of 10% share of total sales figure of the Group.

2.6. Suppliers

Because of the range of goods offered by Eurocash and its geographically diversified sales, its suppliers group is very large – approximately 500. The brand product suppliers (key FMCG manufacturers and importers) are selected based on their respective market shares, brand significance, and coverage of respective product segments. Because of a huge dispersal, there are no suppliers with more than 10% share of total purchases figure of the Group.

3. Eurocash Group development perspectives

3.1. Eurocash Group development strategy

The strategic objectives of Eurocash Group are:

- to satisfy needs of small and medium retail stores in Poland across all significant assortment groups and distribution formats,
- to build sustainable competitive advantage through the scale effect implicit in common wholesale activity of a multi format group of business units.

As the market is consolidating around a decreasing number of wholesalers with national presence, the Eurocash Group strategy assumes further **organic growth** in each business unit and **ongoing acquisitions** aimed at other wholesalers and franchise networks.

3.1.1. Eurocash Cash&Carry

Growth of Eurocash Discount Cash & Carry operations focuses on **2 measures**: (i) like-for-like growth through ever-improving implementation of its concept in existing outlets and (ii) regional expansion.

Like-for-like growth

Eurocash Discount Cash & Carry will always be looking into ways of better satisfying our customers' needs, **thus increasing our share of their turnover,** in order to **increase sales per store.** This implies:

- developing new categories and products,
- launching more regional products,
- offering best selling assortment at most competitive prices,
- improving operational effectiveness together with clients,
- improving the customer experience inside C&C stores through modernizing facilities, layout, communication and adding new elements of customer service.

abc franchise proved to be a successful concept as a neighborhood network of independent owners who decide what is best for their customers. Further development requires continuous improvement in the level of support offered to these shops by a dedicated team, so that we may:

- increase the number of abc stores,
- raise the proportion of abc purchases made at Eurocash,
- increase the total sales of the abc store to the final consumer.

Geographic expansion

The Eurocash Discount Cash & Carry concept has the advantage of being profitable in any town with over 25,000 inhabitants. This gives a potential market of over 150 towns that can support Discount Cash & Carry. The amount of wholesale stores exceeded the 110 figure and at the end of the year there were 111 stores around the country.

3.1.2. Delikatesy Centrum franchise chain

"Delikatesy Centrum" franchise chain together with wholesale supply within Eurocash Group Has a number of development opportunities in particular by:

- competitive purchasing terms for the assortment of Delikatesy Centrum supplied by Eurocash,
- broad marketing assistance for the stores belonging to "Delikatesy Centrum" franchise chain
- country-wide expansion of “Delikatesy Centrum” franchise.

3.1.3. KDWT – impulse products active distribution

The development strategy of KDWT is threefold:
- expansion of the impulse products sales achieved by the KDWT active distribution sales force,
- conquest of new customers thanks to improved competitiveness of KDWT product range,
- cross selling between existing Eurocash and KDWT customers, whereby Eurocash clients get direct sales and delivery of high value impulse products, and KDWT clients get better terms to start buying food from Eurocash Cash&Carry.

As a result, Eurocash Group expects to:
- expand KDWT tobacco sales to Eurocash clients,
- expand KDWT in new regions using Eurocash Discount Cash&Carry network as a platform for new filias

3.1.4. McLane Polska

The acquisition of McLane Polska enables the Group to accelerate growth in active product distribution to customers McLane Polska is the market leader in supply of impulse products to petrol stations and restaurants which are new market segments for Eurocash Group. Moreover, with the chain of some 300 IGA supermarkets operated by McLane Polska across Poland, the acquisition expanded the portfolio of retail franchise chains operated by the Eurocash Group,

3.2. Factors significant for the development of the Eurocash Group

3.2.1. External Factors

Growth in the FMCG market and its structure.

The Group 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 Group's profit and loss.

Labour costs.

Potential pressure on labour costs could in medium-term perspective negatively influence the Group's profit and loss. However, potential of growing wages and salaries impacts the whole Polish market. As the Group sales are realised in Poland, its competitive position should remain unchanged due to this factor.

3.2.2. Internal Factors

Integration of McLane Polska operations

Due to necessity of integration of McLane Polska on the operational level, in the opinion of the Management Board of Eurocash achievement of the full synergy effects resulting from this transaction will be possible within 1-2 years.

New business formats

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

Organic expansion

Management of Eurocash Group expects, that during 2009:
- number of Eurocash Cash&Carry stores will increase by app. 6-8 stores,
- number of Delikatesy Centrum franchise stores will increase by app. 80 stores,

- in the active distribution channel of KDWT as well as McLane Polska – the actions to achieve the growth of sales of impulse products (grocery) will be continued in order to get a higher profitability and improvement of a working capital dynamics.

3.3. Major risks and threats related to the operational activities

3.3.1. 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

In 2008 the prevailing form of FMCG retail distribution was a traditional distribution channel with approx. 50% 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 Eurocash Group for which small and mid-sized shops located off large agglomerations are the most relevant group of customers. A growth in the share of modern distribution will reduce the potential market of the Eurocash Group business.

The structure of the traditional FMCG distribution channel. Competition

According to the estimates of the Eurocash Group, there is approx. 5,000 entities operating on the traditional FMCG distribution market, the majority of which are local stores. That enables price advantage of Eurocash Group, which operates country-wide. Market consolidation, appearance of new strong entities could have a negative impact on the level of margins.

3.3.2. 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 Group.

New investments

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

Suppliers

Eurocash Group cooperates with approximately 500 suppliers, with whom it has concluded agreements providing for discounts and favourable payment terms. While the share of the largest supplier in the Eurocash Group 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 Group business and financial results is limited.

3.4. Explanations regarding seasonality

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

4. Management discussion of the financial results of the Eurocash Group for 2008

4.1. Eurocash Group: Key financial and operational highlights

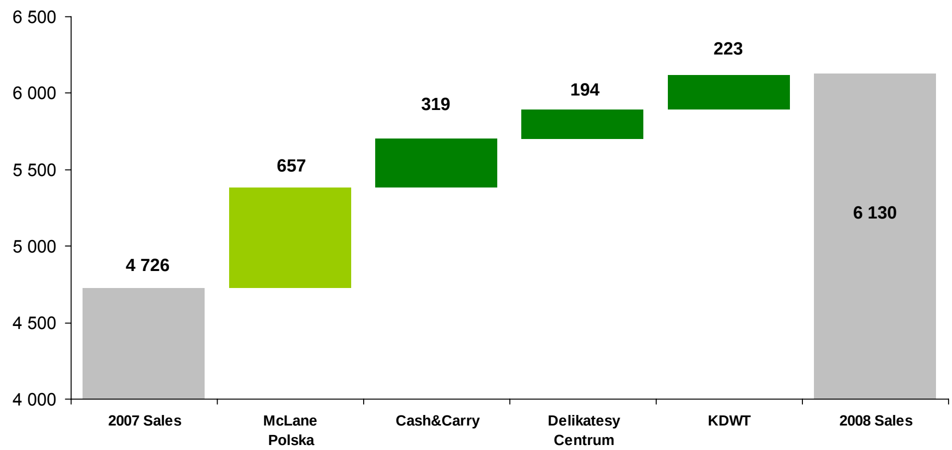
Consolidated sales of Eurocash Group in 2008 amounted to PLN 6.13 billion, EBITDA figure was PLN 158.46 million and net profit amounted to PLN 78.46 million. At the end of 2008, Eurocash had a strong financial position – net amount of cash at bank and in hand (after deduction of bank loans) reached PLN 75.7 million.

Table 4 Eurocash Group: Key financial data for 2008

PLN million	2008	2007	Change 2008/ 2007
Revenues	6 129,74	4 726,06	29,70%
EBITDA	158,46	122,28	29,59%
(EBITDA %)	2,59%	2,59%	0,00 p.p.
EBIT	115,50	86,59	33,38%
(EBIT %)	1,88%	1,83%	0,05 p.p.
Net profit	78,46	58,88	33,25%
(Net profit %)	1,28%	1,24%	0,04 p.p.

The strong sales growth of Eurocash Group in 2008 was attributable both to strong organic growth in all business units and to acquisition of McLane Polska, which added PLN 657.22 million of external sales to the 2008 consolidated results.

Chart 5 Sources of revenue growth of Eurocash Group in 2008



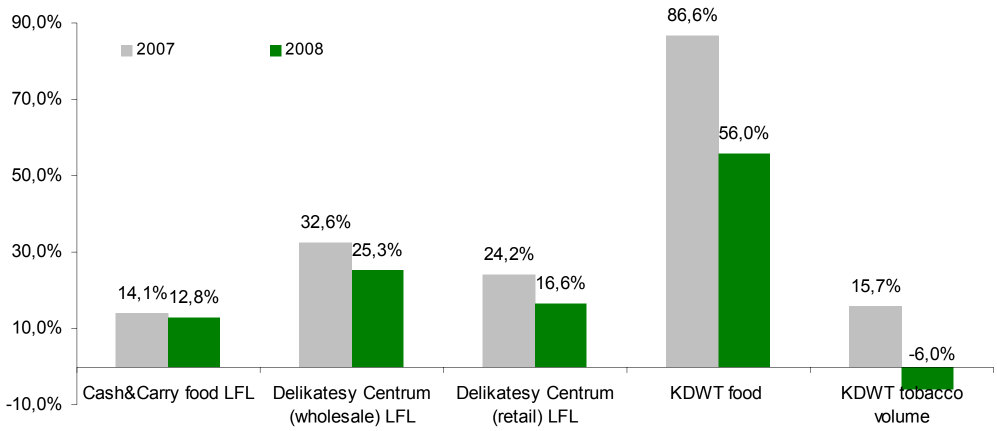
Source: Eurocash

Eurocash Cash&Carry chain stores number raised by 9 stores to reach the 111 figure at the end of the year. Number of "Delikatesy Centrum" franchise stores raised by 81 and amounted to 376 at the end of 2008.

LFL sales growth (excluding categories of tobacco and phone cards) amounted to 13% for the groceries sold by Eurocash Cash&Carry and 25% in respect of wholesale to "Delikatesy Centrum" franchise stores. LFL growth of the retail sales for 2008 amounted to 17%.

Total sales of KDWT grew by 11%, accompanies with decrease of tobacco sales in volume terms by 6% compared with 2007. Main factor influencing KDWT sales growth was increase of tobacco prices due to increase of excise tax rate on tobacco during 2008.

Chart 6 Organic growth parameters in 2008



** excluding tobacco and pre-paid phone cards*
Source: Eurocash

Below we present the key financial and operational highlights of Eurocash Group separately for Eurocash Discount Cash&Carry, Delikatesy Centrum Distribution Centers ("Delikatesy Centrum"), KDWT S.A. ("KDWT") active distribution and McLane Polska Sp. z o.o. ("McLane Polska"):

4.1.1. Eurocash Discount Cash&Carry stores

- In 2008 sales of Eurocash Discount Cash&Carry stores amounted to PLN 2 593.20m and increased by 22.52% comparing with PLN 2 116.56m PLN in 2007.
- LFL sales growth in 2008 amounted to 11.20% and in 2007, 2006 and 2005 amounted to 12.1%, 5.8% and 5.5% respectively.
- Excluding categories of tobacco and phone cards, the LFL sales growth in Cash&Carry stores (the same number of stores) in 2008 amounted to 12.8%, and for 2007, 2006 and 2005 amounted to 14.1%, 5.2% and 2.5% respectively.
- Number of Eurocash Discount Cash&Carry stores amounted to 111 at the end of 2008.
- Number of abc stores amounted to 2 836 at the end of 2008.
- In 2008 share of abc stores in total sales of Discount Cash & Carry stores amounted to 43.5%.

4.1.2. „Delikatesy Centrum"

- Wholesale sales realized by "Delikatesy Centrum" Distribution Centers in 2008 amounted to PLN 687.39m and increased by 38.45% comparing with 2007.
- LFL growth of the wholesale sales to "Delikatesy Centrum" franchise stores in 2008 amounted to 25.26%.
- LFL growth of the retail sales of "Delikatesy Centrum" franchise stores (the same number of stores) in 2008 amounted to 16.62%.
- Number of "Delikatesy Centrum" franchise stores at the end of 2008 amounted to 376.

4.1.3. KDWT

- In 2008 sales of KDWT amounted to PLN 2 519.5m, comparing with PLN 2 266.71m in 2007, what means growth by 11.15%.
- Sales growth in food category in 2008 amounted to 56.06%.
- In terms of volume, sales of cigarettes in 2008, decreased by 6.02% comparing with 2007 and exceeded 7 423m pcs.
- Number of KDWT branches as of the end 2008 amounted to 80 plus 3 distribution Centers

4.1.4. McLane Polska

- Acquisition of McLane Polska was accomplished on 17 April 2008. The results of McLane Polska are consolidated in the Eurocash Group results since 30 April 2008.
- During the period 1 May - 31 December 2008 external sales of McLane Polska amounted to PLN 657.22m.
- Total sales of McLane Polska in 2008 (including sales realized before joining the Eurocash Group) amounted to PLN 1 000.79m.

4.2. Profit and loss account

4.2.1. Sales

In 2008 the consolidated sales of Eurocash Group amounted to PLN 6 121.74m and comparing with 2007 increased by 29.53%. Such result was mainly attributable to strong organic growth in all business units and acquisition of McLane Polska realized in 2008.

Table 5 Eurocash Group: Sales structure by business units

PLN million	Total sales 2008	Total sales 2007	Change 2008/2007 %	Sales within Eurocash Group 2008	Sales within Eurocash Group 2007	External sales 2008	External sales 2007	Change 2008/2007 %
Eurocash Cash&Carry	2 593,20	2 116,56	22,52%	-220,62	-63,21	2 372,58	2 053,35	15,55%
Delikatesy Centrum	687,39	493,34	39,33%	0,00	0,00	687,39	493,34	39,33%
KDWT	2 519,50	2 266,71	11,15%	-134,93	-104,88	2 384,57	2 161,83	10,30%
McLane Polska	1 000,79*			-4,66	0,00	996,13*	0,00	
Other	41,03	27,54	48,99%	-13,06	-9,58	27,98	17,96	55,76%
Total	**6 841,91**	**4 904,15**	**39,51%**	**-373,26**	**-177,67**	**6 468,65**	**4 726,48**	**36,86%**
Consolidation adjustments	-373,26	-178,09						
Sales of McLane Polska 1.01-30.04.2008	-338,91					-338,91		
Total Eurocash Group	**6 129,74**	**4 726,06**	**29,70%**			**6 129,74**	**4 726,06**	**29,70%**

** sales for 12 months 2008*

4.2.2. Profitability analysis

Table 6 Eurocash Group: 2008 financial results

PLN million	**2008**	**2007**	**Change 2008/ 2007**
Revenues	6 129,74	4 726,06	29,70%
Gross margin on sales	541,19	401,60	34,76%
(Gross margin on sales %)	8,83%	8,50%	0,33p.p.
EBITDA	158,46	122,28	29,59%
(EBITDA %)	2,59%	2,59%	0,00%
EBIT	115,50	86,59	33,38%
(EBIT %)	1,88%	1,83%	0,05 p.p.
PBT	94,69	74,91	26,40%
Net profit	78,46	58,88	33,25%
(Net profit %)	1,28%	1,24%	0,04 p.p.

Gross margin on sales increased by 0.33 p.p. to 8.83%. The EBITDA margin for the Group amounted to 2.59% in 2008. In absolute terms the EBITDA figure increased by 22.59% to PLN 158.46m in 2008. Consolidated net profit amounted to PLN 78.46m, 33.25% higher than in 2007.

The Eurocash Group results have been also significantly influenced by costs of the stock-option programs for Eurocash Group employees and stock option programs related to acquisition of KDWT and Delikatesy Centrum. The total cost of the stock-option programs in 2008 amounted to PLN 5.71m.

4.3. Balance sheet data

4.3.1. Balance sheet structure

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 below table:

Table 7 Structure of assets

PLN million	**31.12.2008**	**%**	**31.12.2007**	
Fixed assets (long-term)	**408,48**	**33,37%**	**278,28**	**32,00%**
Goodwill	68,52	5,60%	33,82	3,89%
Intangible fixed assets	154,84	12,65%	121,51	13,97%
Tangible fixed assets	171,74	14,03%	121,04	13,92%
Investments in subsidiary companies – equity method	1,71	0,14%	-	0,00%
Other long-term financial assets	0,10	0,01%	-	0,00%
Long-term receivables	5,85	0,48%	1,87	0,22%
Deferred income tax assets	4,00	0,33%	-	0,00%
Other long-term prepayments	1,72	0,14%	0,04	0,00%
	-		-	
Current assets (short-term)	**815,77**	**66,63%**	**591,45**	**68,00%**
Invetories	312,27	25,51%	224,86	25,85%
Trade receivables	321,21	26,24%	220,11	25,31%
Current income tax receivables	-	0,00%	0,01	0,00%
Other short-term receivables	32,45	2,65%	13,11	1,51%
Cash and cash equivalents	144,15	11,77%	131,46	15,12%
Short-term prepayments	5,68	0,46%	1,89	0,22%
Total assets	**1 224,25**	**100,00%**	**869,73**	**100,00%**

Table 8 Structure of liabilities

PLN million	31.12.2008	%	31.12.2007	
Equity	**283,45**	**23,15%**	**233,39**	**26,84%**
Equity attributable to shareholders of the parent	**282,89**	**23,11%**	**233,39**	**26,84%**
Share capital	130,78	10,68%	127,74	14,69%
Supplementary capital	77,21	6,31%	47,11	5,42%
Hedge transactions valuation capital	(4,65)	-0,38%	-	0,00%
Retained earnings	79,55	6,50%	58,54	6,73%
Profit (loss) of prior years	1,06	0,09%	(0,34)	-0,04%
Net profit (loss) of the current year	78,49	6,41%	58,88	6,77%
Minority interests	**0,56**	**0,05%**	**-**	**0,00%**
Liabilities	**940,80**	**76,85%**	**636,33**	**73,16%**
Long-term liabilities	**53,75**	**4,39%**	**16,89**	**1,94%**
Long-term financial liabilities	23,42	1,91%	11,22	1,29%
Deferred income tax provision	12,89	1,05%	5,37	0,62%
Provision for employee benefits	0,29	0,02%	0,29	0,03%
Other long-term provisions	17,14	1,40%	-	0,00%
Short-term liabilities	**887,05**	**72,46%**	**619,44**	**71,22%**
Short-term loans and credits	68,47	5,59%	73,15	8,41%
Short-term financial liabilities	7,49	0,61%	2,52	0,29%
Trade liabilities	755,09	61,68%	505,35	58,10%
Current income tax liabilities	6,15	0,50%	3,13	0,36%
Short-term liabilities	18,46	1,51%	15,97	1,84%
Provision for employee benefits	14,13	1,15%	11,25	1,29%
Short-term provisions	17,26	1,41%	8,07	0,93%
Total Liabilities	**1 224,25**	**100,00%**	**869,73**	**100,00%**

4.3.2. Loan agreements, warranties and collaterals

Loan agreements

- On 8 April 2008, Eurocash executed with Bank BPH S.A. agreement on multi-purpose credit facility No. DDf/3/2008 for Mount of PLN 97.254.170,00, based on variable interest rate. On the day of executing the agreement, the interest rate amounted to 6.65% p.a. The facility was granted until 8 April 2010. On 19 November 2008, Eurocash and BPH S.A. agreed to dissolve the aforementioned agreement.
- On 29 August, 2008, Eurocash S.A., KDWT S.A., Eurocash Franszyza sp. z o.o., Eurocash Detal sp. z o.o. executed with BRE Bank S.A. agreement on overdraft umbrella facility 06/093/06/Z/VU for amount of PLN 75.000.000,00 based on variable interest rate. On the day of executing the agreement, the interest rate amounted to 6.87% p.a. The facility was granted until 27 February 2009.
- On 20 November, 2008, Eurocash S.A. executed with HSBC Bank S.A. agreement on overdraft facility and guarantee lines No 188/2008 for amount of PLN 20.000.000 based on variable interest rate. On the day of executing the agreement, the interest rate amounted to 6.78% p.a. The facility has been granted until 20 November 2009.
- On 21 November, 2008, Eurocash S.A. executed with ING Bank Śląski S.A. agreement on overdraft facility for amount of PLN 65.000.000 based on variable interest rate. On the day of

executing the agreement, the interest rate amounted to 6.46% p.a. The facility has been granted until 31 December 2009.

Loans granted

- On 3 July, 2008, Eurocash S.A. executed with KDWT S.A. loan agreement providing, that Eurocash shall lend KDWT S.A. amount of PLN 15.000.000 for purpose of financing daily activities. Interest was calculated based on variable interest rate, which on the day of executing the agreement amounted tp 6.76% p.a. The loan was granted until 13 August, 2008.

Sureties and guarantees

Sureties and guaranties issued by the companies from the Eurocash Group are presented in note No 32 to the consolidated financial statements for 2008.

In 2008 Eurocash did not grant any surety for a credit or a loan nor did it grant any guarantee of total value equivalent to 10% of the issuer's equity.

4.3.3. Issue of securities and bonds in 2008

Issue of shares
In 2008 Eurocash S.A. issued 356 000 series B shares at the issue price of PLN 2.71 per share. This issue is related to the Motivation Scheme adopted by 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, described in the issue prospectus of Eurocash from 2004.

Issue of securities and bonds
In terms of the KDWT Incentive Scheme (hereinafter the "KDWT Scheme"), the Third Employee Incentive Scheme (hereinafter "3rd Employee Scheme") and the Delikatesy Centrum Incentive Scheme from 2007 (hereinafter the "DC Scheme", together "Incentive Schemes"), pursuant to the resolution of the Management Board dated 1 September 2008, on 4 November 2008 the Company issued unsecured, no-interest, book-entry registered bonds with a nominal value and issue price of PLN 0.01 each, with priority rights, in three series:

(i) as a part of the KDWT Scheme, 415,000 Series C bonds ("Series C Bonds"), each with the right to subscribe for 2 Series D bearer ordinary shares with priority rights over the Company's shareholders ("Series D Shares"), and

(ii) as a part of the 3rd Employee Scheme, 63,871 Series D bonds ("Series D Bonds"), each with the right to subscribe for 25 Series E bearer ordinary shares with priority rights over the Company's shareholders ("Series E Shares"),

(iii) as a part of the DC Scheme, 179,212 Series E bonds ("Series E Bonds"), each with the right to subscribe for 3 Series F bearer ordinary shares with priority rights over the Company's shareholders ("Series F Shares"),

hereinafter collectively referred to as the "Bonds".

The Bonds were issued pursuant to the provisions of Section 9.3 of the Bonds Act, as an offer to purchase made to UniCredit CAIB Poland S.A., with its registered office at ul. Emilii Plater 53, 00-113 Warsaw, acting as the "Trustee". The Trustee shall dispose of the Bonds only to the persons participating in the Incentive Schemes (the "Persons Authorised").

Series C, D and E Bonds shall be redeemed on 5 April 2010, 2 January 2013 or 18 August 2010, respectively, at their respective nominal value. Detailed information regarding the issue of bonds was presented in the report no 48/2008 dated 4 November 2008. In 2008 the entities within the Group did not issue, acquire or repay debt securities.

Within the incentive schemes approved under the Extraordinary General Shareholders Meeting's Resolution No. 3 of September 14th 2004, concerning the issue of bonds with pre-emptive rights attached, a conditional share capital increase and a waiver of pre-emptive rights of the existing shareholders to acquire new issue shares, as amended; in the wording adopted by virtue of Resolution No. 2 dated November 2nd 2004 and Resolution No. 1 dated November 25th 2004. Details about the Incentive Scheme can be found in the Issue Prospectus of Eurocash S.A. published in 2004, based on Eurocash Management Board decision dated 14 March 2005, the Company issued:

(i) 127,742 series A bonds ("Series A Bonds") each with the right to subscribe for 25 ordinary bearer series B shares, with priority over the Company's shareholders ("Series B Shares"); and,

(ii) 127,742 series B bonds ("Series B Bonds") each with the right to subscribe for 25 ordinary bearer series C shares, with priority over the Company's shareholders ("Series C Shares"), jointly referred to as the "Bonds."

According to the resolution No. 18 of the Ordinary Shareholders' Meeting of Eurocash S.A. dated 28 June 2007 regarding the Fourth and Fifth Incentive and Bonus Scheme for Employees for the years 2007 and 2008, following realization of these programs, the Company intends to issue series F and G bonds.

Information on motivation schemes based on issue of Eurocash shares is provided in section 5.14 below.

4.4. Significant off-balance sheet items

Information on significant off-balance sheet items of the Eurocash Group is provided in additional information to the annual consolidated financial statements in note no 32.

4.5. Eurocash Group cash-flow analysis

4.5.1. Cash-flow account

Total cash flow of Eurocash Group in 2008 amounted to PLN 12.69 million. The strong operating cash flow was off-set by significant investments including acquisition of McLane Polska and negative cash flow from financing activities including dividend payment for 2007 of PLN 39.07m.

Table 9 Cash flow

PLN million	**2008**	**2007**
Operating cash flow	240,46	185,27
Gross profit (loss)	94,77	75,03
Depreciation	42,96	35,69
Change in working capital	106,51	73,82
Other	(3,78)	0,73
Cash flow from investments	(169,87)	(61,80)
Cash flow from financing activities	(57,90)	(33,25)
Total cash flow	12,69	90,21

4.5.2. Working capital rotation

Table 10 Eurocash Group: Consolidated working capital ratios in 2008

Turnover in days	**2008**	**2007**
1. Inventories turnover	18,65	17,37
2. Trade receivables turnover	19,18	17,00
3. Trade liabilities turnover	49,68	42,83
4. Operating cycle (1+2)	37,82	34,37
5. Cash conversion (4-3)	(11,86)	(8,47)

Eurocash Group managed to improve the cash conversion cycle in 2008 to negative 11.86 days. The negative cash conversion cycle enables Eurocash Group to release cash in line with growing sales.

4.5.3. Evaluation of financial resources management

Eurocash Group generates significant positive cash flows from operating activities. All major investments realised in 2008 were financed from own financial resources and bank overdrafts.

In the opinion of the Management, there are no significant financial risks related to the ability of Eurocash Group companies to pay their liabilities. The main financial risk factors related to Eurocash Group operations are as follows:

Liquidity risk
Eurocash Group policy assumes maintaining sufficient cash to service the current payments. Surpluses are deposited in bank deposits.

Currency risk
Eurocash Group revenues and costs are predominately denominated in PLN. The contracts in foreign currencies account in total for less that 5% of current liabilities. Neither the Company nor any related entity as at 31.12.2008 was a party of an option , future, forward or CIRS contract.

4.6. Investment activity

4.6.1. Major investments realised in 2008

In 2008 the highest share in capital expenditures belonged to the acquisition transactions – especially McLane Polska. The rest of the investments related to the organic growth of the Eurocash Group, notably in respect of new Cash&Carry stores, modernisation and remodelling of the existing Cash&Carry stores as well as development of Delikatesy Centrum franchise chain.

Table 11 Key investment areas of the Eurocash Group in 2008

	2008	**2007**
Acquisitions of shares in other companies	99,51	10,00
Eurocash Cash&Carry + Delikatesy Centrum Distribution Centers	60,14	47,40
Active distribution (KDWT+McLane Polska)	2,50	2,64
Other(Eurocash Franszyza)	9,53	14,16
Adjustments (Cash In acquired companies)	-1,83	
Total capital expenditures	169,85	74,20

4.6.2. Assessment of the possibility of executing the envisaged investments

Major investments planned in 2009 relate to the organic growth within the current structure of business units, considering especially:

- opening of app. 6-8 new Eurocash Discount Cash&Carry stores,

- development of “Delikatesy Centrum” franchise chain, including implementation plan of ca 80 new franchise stores.

In order to finance the aforementioned investments, Eurocash Group intends to use the cash generated by the company and bank debt. In case of decision upon realisation of other significant potential investments, in the opinion of the Eurocash’s Management, the Eurocash Group has sufficient debt capacity to finance such potential investments.

4.7. Significant events and factors affecting the 2008 financial results of the Eurocash Group

- On 10 April 2008 the President of the Office of Competition and Consumer Protection agreed for an acquisition of shares of McLane Polska Sp. z o.o. based in Błonie. Further to that on 17 April 2008 Eurocash acquired 100% of shares in McLane Polska Sp. z o.o.
- On May 13th 2008 Eurocash S.A. purchased 686,000 registered shares in PayUp Polska S.A. from the Dutch company PayUp Holding B.V. The Shares represent 49% of the share capital of PayUp Polska. PayUp Holding B.V. holds the remaining 51% of shares in PayUp Polska.
- On May 14th 2008 Eurocash S.A. purchased from 12 natural persons 53,39% of shares in Sieć Detalistów „ Nasze Sklepy”. On the same day, Eurocash S.A. executed a preliminary agreement with the same persons, under which the parties are obligated to conclude a final agreement by May 14th 2010 whereby Eurocash S.A. will acquire further 90 shares in Nasze Sklepy. In performance of both these agreements, Eurocash S.A. will hold 97,07% of shares in Nasze Sklepy.
- Pursuant to Resolution No. 2 of the Ordinary General Meeting of 09 June 2008 the net result of 2007 year was divided. The amount 39,280,665 PLN was allocated on dividend which is equal 0,30 PLN on each share of Company. The amount 4,724,575 was allocated on supplementary capital what 3,520,421 PLN determines 8% of net result, which is required by article 396 § 1 of the Commercial Companies Code as a supplementary capital.
- On 30th of November 2008 Eurocash S.A. sold to company FHC Sp. z o.o. spółka komandytowa with its registered office in Krosno 100% shares capital of subsidiaries company Eurocash Detal Sp. z o.o. for a total price of 8.300.000 PLN.

During 2008 there were no other major events and factors that influenced consolidated income or loss of the Eurocash Group realised in this period.

4.8. Definitions of the financial ratios

Gross profit margin on sales:	ratio of gross sales profit to net sales revenue
EBITDA margin:	ratio of EBITDA (operating profit plus depreciation) to net sales revenue
Operating profit margin:	ratio of operating profit (EBIT) to net sales revenue
Net profit margin on sales:	ratio of net profit to net sales revenue
Inventories turnover:	the ratio of balance of stocks at the end of period to net sales for period, multiplied by the number of days in the period
Trade receivables turnover:	the ratio of balance of trade receivables at the end of period to net sales for period, multiplied be the number of days in the period
Trade liabilities turnover:	the ratio of balance of trade liabilities at end of period to costs of sold traded goods for period, multiplied by the number of days in the period
Operating cycle:	the sum of stocks turnover and receivables turnover
Cash conversion cycle:	the difference between operating cycle and liabilities turnover

5. Statement on the Application of Corporate Governance Rules

5.1. Indication of corporate governance rules applicable to the Issuer and of the place where the rules collection text is publicly available

Pursuant to § 29 Sec. 2 of the Warsaw Stock Exchange S.A. Rules in the wording adopted by virtue of Stock Exchange Council Resolution No. 1/1110/2006 dated January 4, 2006, as amended, Eurocash S.A. (hereinafter, the "**Company**", "**Issuer**", "**Eurocash**") is obligated to apply the corporate governance rules set down in the document entitled "Good Practices of Companies Listed on the WSE", constituting an attachment to Resolution No. 12/1170/2007 of the Stock Exchange Council dated July 4, 2007 (hereinafter, the "**Good Practices**"), available on the website www.corp-gov.gpw.pl.

5.2. Description to the extent to which the Issuer departed from provisions of corporate governance rules, with an indication of such provisions and clarification of the reasons for departure there from

In the year 2008 the Issuer observed all corporate governance rules set forth in the collection of Good Practices.

5.3. Description of major features of internal control and risk management systems applied at the Company in the process of preparing financial statements

The Company Management Board is responsible for the Company internal control system and its efficiency in the process of preparing financial statements and periodical reports drawn up and published in accordance with the rules set forth in the Regulation of February 19, 2009 on current and periodical information conveyed by issuers of securities and on the terms on which information required under the provisions of law of a country not being a member country is recognized as equivalent.

The financial department directed by the Financial Director is in charge of preparation of financial statements and periodical reports. The financial data on which financial statements and periodical reports are based come from the monthly financial and management accounting applied by the Company. After the closing of the books of account each calendar month the medium and top level management members jointly analyze the Company financial results as compared to the budget assumptions.

One of the basic elements of control in the process of preparing the Company financial statements is the verification of the financial statements by an independent auditor. The auditor's primary task is to review the half-year financial statements and carry out a preliminary and basic examination of unit annual statements and consolidated statements. The independent auditor is elected by the Company Supervisory Board. The audited financial statements are forwarded to the members of the Company Supervisory Board for evaluation purposes.

The internal control exercised by the internal audit department is an important element of risk management in the process of preparing financial statements. The annual program of the planned internal audits is developed on the basis of the risk assessment of business processes carried out by the Internal Audit Director in cooperation with the Management Board. The planned audits are supplemented by unplanned audits carried out upon request of the Management Board and verifying audits regarding the recommendations from earlier audits. The internal audit effect consists in recommendations on how to improve the control mechanisms in place at the Company.

The Company makes an annual review of both business strategy and plans. The budgeting process is supported by the Company medium and top level management. The budget and business plan prepared for the subsequent year is adopted by the Company Management Board and approved by the Supervisory Board. During the year the Company Management Board analyses the financial results comparing same with the adopted budget on the basis of the adopted accounting policy of the Company.

The Company systematically evaluates the quality of internal control and risk management systems in the process of preparing financial statements. On the basis of such evaluation the Management Board declares that as at December 31, 2008 no weak points existed which could have a material adverse effect on the efficiency of the internal control as far as financial reporting is concerned.

5.4. Shareholders having, whether directly or indirectly, significant shareholdings in Eurocash

	31.12.2008				31.12.2007			
Shareholder	Number of shares	Share in the Company share capital (%)	Number of votes	Share in the total number of votes (%)	Number of shares	Share in the Company share capital (%)	Number of votes	Share in the total number of votes (%)
Luis Amaral (indirectly and directly through Politra B.V.)	70 258 100	53,72%	70 258 100	53.72%	70 258 100	55.00%	70 258 100	55.00%
Commercial Union – PTE BPH CU WBK	7 739 424	5.92%	7 739 424	5.92%	6 586 001	5.16%	6 586 001	5.16%
ING Otwarty Fundusz Emerytalny	6 843 714	5.23%	6 843 714	5.23%	6 843 714	5.36%	6 843 714	5.36%
BZ WBK AIB Asset Management S.A.	6 624 215	5.07%	6 624 215	5.07%	no data	no data	no data	no data
Other	39 312 097	30.06%	39 312 097	30.06%	44 054 185	34.49%	44 054 185	34.49%
TOTAL	**130 777 550**	**100.00%**	**130 777 550**	**100.00%**	**127 742 000**	**100.00%**	**127 742 000**	**100.00%**

5.5. Number of Eurocash S.A. shares held by persons exercising supervisory and managerial functions

	Eurocash shares		**Rights to shares**	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Management Board				
Luis Amaral (indirectly and directly)	70 258 100	70 258 100	0	0
Rui Amaral	0	0	750 575	1 341 575
Katarzyna Kopaczewska	0	0	252 000	401 000
Arnaldo Guerreiro	0	0	651 000	1 083 000
Pedro Martinho	315 750	0	349 000	637 000
Ryszard Majer	1 690	0	222 000	371 000
Jacek Owczarek	0	0	0	0
Supervisory Board				
Joao Borges de Assuncao	0	0	0	0
Eduardo Aguinaga de Mores	0	0	0	0
Ryszard Wojnowski	0	0	0	0
Janusz Lisowski	0	0	0	0
Antonio Jose Santos Silva Casanova	0	0	0	0

5.6. Indication of holders of all securities that carry special control powers, with the description of the powers

There are no securities in the Company that carry special control powers, in particular the shares of the Company are not preference. However, the Statutes of the Company grant personal powers. Pursuant to § 13 Sec. 2 of the Statutes of the Company, as long as Politra B.V., organized and operating under Dutch law, or any of its legal successor, remains a shareholder holding 40% or more shares in the share capital of the Company, it shall have the right to appoint and dismiss 3 (three) Members of the Supervisory Board of Eurocash.

5.7. Indication of all restrictions regarding exercising the right to vote, such as restrictions to exercising the right to vote by the holders of a definite part or number of votes, time restrictions regarding exercising the right to vote or provisions pursuant to which, with the Company's cooperation, capital interests connected with securities are separated from holding securities

Each share of Eurocash gives the right to one vote at the Shareholders' Meeting. The Statutes of the Company do not provide for any restrictions as to the exercising of the right to vote carried by Eurocash shares, such as restrictions to exercising the right to vote by the holders of a definite part or number of votes, time restrictions regarding exercising the right to vote or provisions pursuant to which, in the Company's cooperation, capital interests connected with securities are separated from holding securities.

A prohibition on exercising the right to vote by the shareholder may result from Art. 89 of the Act dated July 29, 2005 on Public Offerings, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (hereinafter "**Act on Offering**"), in a case where the shareholder violates specified provisions set forth in Chapter 4 of the Act on Offering. However, pursuant to Art. 6 § 1 of the Commercial Companies Code, should the dominant company fail to notify the controlled capital company about the dominant relation existence within two weeks of the relation establishment, exercising of the right to vote carried by shares of the dominant company representing more than 33% of the share capital of the controlled company is suspended.

5.8. Indication of any and all restrictions regarding transfer of the securities ownership rights of the Issuer

The Statutes of the Company do not provide for any restrictions regarding transfer of the securities ownership rights of the Issuer. The restrictions, however, arising from the provisions of law, including hereinabove mentioned Chapter 4 of the Act on Offering, Art. 11 and 19 and Part VI of the Act of July 29, 2005 on Trading in Financial Instruments, Act of February 16, 2007 on the Protection of Competition and Consumers and Council Directive (EC) No. 139/2004 dated January 20, 2004 on the control of concentrations between undertakings.

5.9. Description of rules regarding appointing and removing managers and their powers, in particular the power to decide on issue and buyout of shares

Pursuant to § 9 Sec. 1 and 2 of the Company's Statutes, the Management Board consists of 2 to 10 persons appointed by the Supervisory Board for an individual three-year term of office. The number of members of the Management Board is determined by the Supervisory Board. The Supervisory Board appoints also by way of resolution one member of the Management Board as the President of the Management Board. Any Management Board member may be dismissed from office by way of resolution adopted by the Supervisory Board or the General Shareholders' Meeting of the Company.

The scope of activities of the Management Board includes any and all affairs of the Company not reserved for the powers of the General Shareholders' Meeting and the Supervisory Board. The range of powers of the General Shareholders' Meeting is described in Point 5.11 hereinbelow, whereas the scope of powers of the Supervisory Board is laid down in Point 5.12 hereinbelow. The Management Board manages the affairs of the Company and represents the Company outside.

According to § 6a of the Statutes of the Company, the Management Board is entitled to increase the share capital of the Company within the limits of the authorized capital by way of issuing shares of the Company of a total nominal value not higher than PLN 51,096,800, whereas the power expires on November 22, 2010. The terms of each of the issues conducted within the limits of the authorized capital are defined by the Management Board with the consent of the Supervisory Board. In relation to the determined issues, the Management Board, acting with the consent of the Supervisory Board, may also exclude the preemption right of the existing shareholders to buy shares issued within the limits of the authorized capital.

The Management Board may decide on shares buyout in the cases and on the terms determined in commonly applicable provisions of law.

The detailed rules governing the functioning of the Management Board are stipulated in Point 5.12 hereinbelow.

5.10. Description of the amendments to the Issuer's Statutes

Amendments to the provisions of the Statutes of the Company consisting in material changes to the subject matter of the Company's business activities without buying out the shares of the shareholders who do not consent to the amendments requires the resolution of the General Shareholders' Meeting adopted by the majority of ¾ votes cast in the presence of shareholders representing at least 50% of the share capital of the Company.

Amendments to the provisions of the Statutes of the Company consists in decreasing the share capital of the Company requires the resolution of the General Shareholders' Meeting adopted by the majority of ¾ votes.

Amendments to the provisions of the Statutes of the Company regarding the remaining provisions requires the resolution of the General Shareholders' Meeting adopted, unless the provisions of the Commercial Companies Code or the Act on Offering stipulate otherwise, by the absolute majority of votes.

The resolution of the General Shareholders' Meeting on amendments to the provisions of the Statutes of the Company requires the prior opinion of the Supervisory Board of the Company.

5.11. Description of manner of operation of the General Meeting and fundamental powers thereof and rights of shareholders and manner of exercise of same

5.11.1. Manner of operation of the General Meeting and fundamental powers thereof

The manner of operation of the General Meeting and fundamental powers thereof follow directly from the provisions of law which have been partially incorporated in the Statutes and By-laws of the General Meeting of the Company. Both the Statutes and By-laws of the General Meeting are available on the following website of the Company:

http://www.eurocash.pl/en/Investorrelations/CorporateGovernance/tabid/67/Default.aspx

According to § 9 of the By-laws of the General Meeting of the Company, draft resolutions to be submitted to the General Meeting should be made available by the Management Board at the Company's seat, together with an opinion of the Supervisory Board and pertinent documents, not later than 7 (seven) days before the date of the General Meeting so as to allow the Shareholders to review and evaluate same.

Draft resolutions may be submitted to the Chairman of the General Meeting in written form. Should the exact wording of a resolution not be provided by the speakers in the course of discussion the Chairman shall be obliged to provide a final draft of the proposed motions.

Each General Meeting should be attended by members of the Supervisory Board and Management Board in a composition which makes it possible to give answers as to merits to the questions asked during the General Meeting. A certified auditor should be present at an ordinary (annual) General Meeting, and at an Extraordinary General Meeting if the Company's financial matters are discussed. Members of the Supervisory Board, the Management Board and the certified auditor should, within the scope of their powers and to the extent required for settling the matters discussed at the General Meeting, provide clarifications and information concerning the Company to participants in the General Meeting.

The General Meeting may be attended by members of the Management Board and Supervisory Board, certified auditor, if the Company's financial affairs are to be discussed, experts invited by the body convening the General Meeting, the notary drawing up the minutes of the General Meeting, and representatives of the mass media. Other persons may participate in the General Meeting with the consent of the Chairman of the General Meeting.

According to the Company Statutes, the powers of the General Meeting shall include in particular:

(i) review and approval of the Management Board Report on the operations of the Company and financial statements for the previous financial year, and granting approval to members of the Company's governing bodies for the performance of their duties;

(ii) decisions concerning claims to remedy damage inflicted at the time of the Company's establishment or in connection with its management by the Management Board;

(iii) sale or lease of the enterprise or an organised part thereof, as well as the creation of limited property rights therein;

(iv) creation of the Company's capitals and funds and their allocation;

(v) approval of the Company's long-term strategic plans;

(vi) adopting resolutions on distribution of profit and coverage of loss;

(vii) amending the Company's Statutes;

(viii) increasing and decreasing the Company's share capital;

(ix) dissolution or liquidation of the Company;

(x) authorization for the Company to enter into a standby or firm commitment underwriting agreements;

(xi) appointment or dismissal of two members of the Supervisory Board;

(xii) setting down the rules for and levels of remuneration of members of the Supervisory Board;

(xiii) approval of the Rules of the Supervisory Board;

(xiv) dismissal or suspension of members of the Management Board;

(xv) adoption of the Rules of the General Meeting;

(xvi) other matters which pursuant to the provisions of the Commercial Companies Code or other laws, or pursuant to the Company's Statutes, rest within the exclusive competence of the General Meeting.

The General Meeting may adopt resolutions if at least half the Company share capital is represented. The General Meeting shall adopt resolutions by an absolute majority of the votes, unless the provisions of the Statutes or law required a qualified majority of the votes.

5.11.2. Shareholders' rights and the manner of performance thereof

Shareholders' rights and the manner of performance thereof result in principle directly from the provisions of the law which were partly incorporated in the Statutes and the Rules of the Company Shareholders' Meeting. One should note the right of Politra B.V. and its legal successors, provided for in § 13 Sec. 2 of the Statutes, to appoint and dismiss 3 (three) Members of Eurocash Supervisory Board which is dependent upon the entitled party's holding 40% or more shares in the Company share capital (see point 2.6 above).

5.12. The composition and changes in the composition of the managing and supervisory authorities of the Issuer and the committees thereof which took place during the last financial year

5.12.1. Management Board

The Management Board manages the Company affairs and represents the Company. Two members of the Management Board acting jointly or one member of the Management Board acting jointly with a holder of a commercial power of attorney may make the statements of will and sign documents on behalf of the Company.

Activities of the Management Board are managed by the President of the Management Board. All members of the Management Board are obligated and entitled to jointly manage the Company affairs, in particular in the following scope:

(i) determine the long- and medium-term development strategy as well as the main objectives of the Company operation, increase the Company value for the shareholders and report thereof to the Supervisory Board, evaluate the achievement level of such goals and modify thereof if necessary,
(ii) define the Company's financial goals,
(iii) implement and realize the long- and medium-term development strategy as well as the main Company operating objectives and financial goals,
(iv) analyze major investment projects and the methods of financing thereof,
(v) determine the principles of HR and remuneration policies, including:
  - appointment of the Company's key management members,
  - determining the principles of employment, remuneration and HR policies, as well as a periodical analysis of the HR situation of the Company,
(vi) determine the Company's organizational structure,
(vii) approve the annual and/or long-term Company budget,
(viii) determine the internal division of duties and responsibilities of the Management Board Members,
(ix) set down the Rules and other internal regulations of the Company, unless the provisions of the law or Statutes provide otherwise,
(x) take decisions on matters of exceptional importance, as well as the matters and transactions which in the justified opinion of the Management Board Member may cause a significant risk to the Company,
(xi) request the Supervisory Board to express an opinion on draft resolutions which are to be presented to the Shareholders at the Shareholders' Meeting,
(xii) any other actions which go beyond the ordinary management of the Company.

In the remaining scope, respective Management Board members are responsible for independent management of the Company affairs resulting from the internal allocation of duties and functions determined by the decision of the Management Board.

The Management Board may adopt resolutions at the Management Board meeting or by circular letter, in writing or using direct distant communication methods. Resolutions of the Management Board are adopted by a simple majority of votes cast by the Management Board members. Minutes are taken of the resolutions. Proper notification of the meeting of all the Management Board members is required for the validity of the Management Board resolutions.

Detailed Management Board procedures are determined in the Management Board Rules adopted by the Management Board and approved by the Supervisory Board. The text of the current Management Board Rules is available at:

http://www.eurocash.pl/en/Investorrelations/CorporateGovernance/tabid/67/Default.aspx

The Company Management Board consists of 7 (seven) members. The Management Board comprises Messrs. Luis Manuel Conceicao do Amaral (President of the Management Board), Rui Amaral, Arnaldo Guerreiro, Pedro Martinho, Ryszard Majer, Jacek Owczarek and Ms. Katarzyna Kopaczewska.

The following changes took place in the composition of the Management Board in 2008:

- on 3 March 2008 Mr. Roman Stefan Piątkiewicz resigned from the position of the Management Board Member.
- on 22 November 2008 Mr. Jacek Owczarek was appointed as the Eurocash Management Board Member.

5.12.2. Supervisory Board

The Supervisory Board is composed of 5 members, where the right to appoint and dismiss 3 (three) members of the Supervisory Board is held by the company Politra B.V. (or its legal successor) on the terms described in Point 2.5 above, while 2 members of the Supervisory Board are appointed and dismissed by the General Meeting. The dismissal of a Supervisory Board member is effective only when it is accompanied by the simultaneous appointment of a new Supervisory Board member.

The Board selects a Board chairman from amongst its members. The Supervisory Board may also dismiss the Board chairman from his function.

The Supervisory Board exercises on-going supervision of the Company operations in all areas. Pursuant to § 14 Sec. 2 of the Issuer's Statutes, the powers of the Supervisory Board include in particular:

(i) review and assessment of the Management Board's report on the Company's activities and the Company's financial statements for their consistency with accounting books and documentation, as well as the actual state of affairs;
(ii) assessment of the Management Board's recommendations concerning the distribution of profit or coverage of loss;
(iii) submitting to the General Shareholders' Meeting an annual written report on the results of the assessment referred to above;
(iv) appointing and removing, as well as suspending, for an important reason, Members of the Management Board;
(v) issuing opinions on planned amendments to the Company's Statutes;
(vi) approving – not later than by November 30th of each calendar year – annual budgets prepared by the Management Board and amendments to such budgets;
(vii) issuing opinions regarding granting of loans or financial assistance as well as concluding agreements with any Member of the Management Board which fall outside the ordinary course of business;
(viii) election of the expert auditor to examine the Company's financial statements;
(ix) adoption of the uniform text of the Company Statutes;
(x) other issues which under the binding legal regulations or other provisions of the Company's Statute require a resolution of the Supervisory Board.

The following actions of the Management Board shall require the Supervisory Board's consent issued in the form of a resolution:

(i) decisions concerning joint-ventures with other entities;
(ii) decisions concerning mergers with other entities as well as acquisitions of other entities or enterprises;
(iii) incurring any liability in excess of PLN 100,000,000 and the encumbrance on the Company's assets with a value in excess of PLN 150,000,000, if such transactions have not been provided for in the annual budget;
(iv) sale or lease or transfer of the Company's assets with a value in excess of EUR 1,000,000 or its zloty equivalent, if such a transaction has not been provided for in the annual budget;

(v) issuing opinions concerning specification and changing of remuneration or terms of employment of Management Board Members;
(vi) creation, issue/delivery, purchase or sale of shares in another subsidiary entity;
(vii) creation and modification of any stock option scheme or incentive scheme of a similar nature for the Company's management and employees;
(viii) the conclusion by the Company of a material agreement with a related entity within the meaning of regulations on the communication of current and periodical information by the issuers whose shares are quoted on the Stock Exchange in Warsaw S.A., except for typical transactions concluded on market conditions as part of the operating activity conducted by the Company with its subsidiary entity in which the Company is a majority shareholder.

The Supervisory Board performs its duties as a group. The Supervisory Board may, by way of a resolution adopted by a simple majority of votes, delegate individual Members to individually perform specific supervisory tasks.

Supervisory Board members perform their duties personally. However, they may participate in the adoption of resolutions of the Supervisory Board by voting in writing through another Supervisory Board member. The Supervisory Board may adopt resolutions at a session or in writing or by using long-distance communication means. Resolutions of the Supervisory Board are adopted by a simple majority of votes in the presence of at least 3 members of the Board. In the case of an even number of votes cast in 'favor of' and 'against' a resolution the Supervisory Board chairman shall have the casting vote. Moreover, the consent of the majority of independent Supervisory Board members is required for the adoption by the Supervisory Board of resolutions in the following matters:

(i) any action by the Company or any of its related entity that causes the benefit for the Members of the Management Board;
(ii) election of the expert auditor to examine the Company's financial statements;
(iii) issuing opinions regarding granting of loans or financial assistance as well as concluding agreements with any Member of the Management Board which fall outside the ordinary course of business;
(iv) granting the Management Board the approval to limit or waive in full the priority rights (pre-emptive rights) of the Company's shareholders with respect to any of the Company's shares to be issued within the limits of the authorized capital.

The detailed procedure of operations of the Supervisory Board is set out by the Supervisory Board Rules. The content of the applicable Supervisory Board Rules is available at the following address:

http://www.eurocash.pl/en/Investorrelations/CorporateGovernance/tabid/67/Default.aspx

The Supervisory Board of the Company is composed of 5 (five) members. The Supervisory Board is composed of the following: João Borges de Assuncao (Chairman of the Supervisory Board), Eduardo Aguinaga, António José Santos Silva Casanova, Ryszard Wojnowski and Janusz Lisowski. The status of independent Supervisory Board members is held by the following:

(i) Messrs. Ryszard Wojnowski and Janusz Lisowski, as Supervisory Board members appointed by the General Meeting of the Company, and
(ii) Messrs. João Borges de Assunção and António José Santos Silva Casanova appointed by the shareholder Politra B.V., who submitted representations to the effect that they meet the criteria of an independent Supervisory Board member.

Thus, 4 of the 5 Supervisory Board members of the Company are "independent members".

5.12.3. Supervisory Board Committees

The following internal committees operate under the auspices of the Supervisory Board:

(i) the Audit Committee, and
(ii) the Remuneration Committee

The members of each of the said committees are selected by the Supervisory Board, where the Remuneration Committee should include at least one independent Supervisory Board member, while the Audit Committee should include at least two independent Supervisory Board members and one member who is a financial specialist, i.e. a person having pertinent experience in finance management and accountancy in public companies or other companies of comparable size.

The responsibilities of the Audit Committee shall include:

(i) supervising the submission of financial information by the Company in the periodical reports, forecasts, etc,
(ii) supervising the activities of external auditors of the Company,
(iii) giving the opinion on the candidates for the Company's external auditors to be elected by the Supervisory Board, where external auditors should be changed at least once every 7 years,
(iv) supervising the relationship with the external auditor, including in particular assessing the external auditor's independence, remuneration and any non-auditing work for the Company, as well as determining the involvement of the external auditor with respect to the content and publication of financial reporting,
(v) each year evaluating the internal control system functioning and the significant risk management system functioning, as well as evaluating its own functioning in a form of an annual report of its deliberations, findings and relationship with the external auditor (including in particular his independence) to be included as a part of the Supervisory Board's annual report to be presented at the Ordinary General Assembly.

The Audit Committee is composed of the following: Messrs. Eduardo Aguinaga (Chairman), António José Santos Silva Casanova and Ryszard Wojnowski.

The responsibilities of the Remuneration Committee shall include:

(i) certifying to the Supervisory Board the existence of a remuneration policy for the Management Board, which is known to the Remuneration Committee in sufficient detail, including (a) the remuneration structure, (b) the amount of fixed remuneration, (c) the shares and/or options and/or other variable remuneration components and other forms of compensation, as well as the performance criteria and the application thereof,
(ii) each year proposing for the Supervisory Board's approval the opinion on the compliance of the remuneration policy of the Management Board and application thereof with regards to the desired standards of corporate governance,
(iii) ensuring the disclosure to the Supervisory Board of the remuneration of the Management Board resulting from application of the remuneration policy,
(iv) each year evaluating its own functioning in the form of an annual report of its activities to be included as a part of the Supervisory Board's annual report to be presented at the Ordinary General Assembly.

The Remuneration Committee is composed of the following: Messrs. António José Santos Silva Casanova (Chairman), Eduardo Aguinaga and Janusz Lisowski.

The rules governing the operations of both committees are regulated in detail in Section VII of the Supervisory Board Rules available at the following address:

http://www.eurocash.pl/en/Investorrelations/CorporateGovernance/tabid/67/Default.aspx

5.13. Agreements which may in the future result in changes of the blocks of shares held

Apart from the incentive schemes for managers and employees, the Management Board of Eurocash is not aware of any agreements which could cause in the future a changed proportion of blocks of shares held by the shareholders.

5.14. Information on the employee shares control system

Below presented are incentive schemes based on the issue of Eurocash S.A. shares.

No.	Legal Basis	Number and Class of Eurocash Shares	Determined or Projected* Issue Price	Option Exercise Date
1.	Resolution of the Extraordinary Shareholders' Meeting No. 3 dated 14 September 2004 regarding the issue of bonds with the right of first refusal, conditional increase in share capital and the exclusion of the pre-emptive right of present shareholders, as amended, final wording pursuant to Resolution No. 2 dated 2 November 2004 and Resolution No. 1 dated 25 November 2004	Up to 3,193,550 Class B Shares	PLN 2.71 (issue price published in current report No.17.2007)	from 1 January to 31 December 2008
		Up to 3,193,550 Class C Shares	PLN 4.32 = average price of Eurocash shares in November 2005 (PLN 5.01) adjusted by dividend paid (PLN 0.69)	from 1 January to 31 December 2009
2.	Resolution No. 17 of the Ordinary Shareholders' Meeting dated 25 April 2006 regarding the Incentive Scheme KDWT of 2006.	Up to 830,000 Class D Shares	PLN 4.82 zł	from 1 April 2009 to 1 April 2010
3.	Resolution No. 19 of the Ordinary Shareholders' Meeting dated 25 April 2006 regarding the Third Employee Incentive Scheme	Up to 1,596,775 Class E Shares	PLN 8.17 = average price of Eurocash shares in November 2006 (PLN 8.70) adjusted by dividend paid (presently PLN 0.53)	From 1 January 2010 to 31 December 2012
4.	Resolution No. 17 of the Ordinary Shareholders' Meeting of Eurocash S.A. dated 28 June 2007 regarding the Delikatesy Centrum Incentive Scheme of 2007	Up to 537,636 Class F Shares	PLN 6.51	from 17 August 2009 to 17 August 2010
5.	Resolution No. 18 of the Ordinary Shareholders' Meeting of Eurocash S.A. dated 28 June 2007 regarding the Fourth and Fifth Incentive and Bonus Scheme for Employees for the years 2007 and 2008	Up to 1,020,000 Class G Shares	PLN 10.45 = average price of Eurocash shares in November 2007 (PLN 10.75) adjusted by dividend paid (presently PLN 0.30)	from 1 January 2011 to 31 December 2013
		Up to 1,020,000 Class H Shares	PLN 9.93 = average price of Eurocash shares in November 2008 adjusted by dividend paid	from 1 January 2012 to 31 December 2014

** weighted average listing of Eurocash shares at the Warsaw Stock Exchange in November of a given year, adjusted by rights connected with shares (e.g. dividend payments) as at 31.12.2008.*

5.15. Forecasted costs connected with the incentive schemes introduced

Costs connected with employee incentive schemes based on the issue of Eurocash S.A. (the "Company") shares are calculated by the Company throughout the rights acquisition period and depreciated monthly. The fair value of options is established on the basis of the Black-Scholes-Merton model.

According to his model, value of options is calculated based of the following parameters:

- **Grant date**: In case of motivation schemes based on issue of C, D, E shares, as grant date was set on the beginning of the option exercise period, and for schemes based on series F and G shares – grant date was set on the date of the resolution of the General Assembly, adpting the list of entitled persons within given scheme..
- **Option exercise date: For all schemes as option exercise date the** beginning of the option exercise period was assumed.
- **Risk-free rate:** Estimated based on the average field of the Treasury Bonds with tenor closest to the option realization date, as of the valuation date.

- **Volatility:** Calculated based on historical volatility of daily returns of Eurocash shares on the Warsaw Stock Exchange („WSE") – considering 250 trading sessions prior to valuation date.
- **Option strike price:** According to the rules of schemes based on series C, E and G shares, option strike price amounts to the weighted average of Eurocash share price In November of 2005, 2006 and 2007 accordingly. For schemes based on series D and F shares, strike price amounts to PLN 4.82 and 6.52 accordingly.
- **Base (current) stock price:** Eurocash share price at closing of the trading session on WSE on the valuation date.

In 2008, the cost connected with the valuation of the incentive schemes based on the issue of Class C, D, E, F, G shares amounted jointly to PLN 5 714 431.08 as compared to the joint costs of incentive schemes in 2007 of PLN 4 854 949.92.
The Company estimates that the cost connected with the valuation of existing incentive schemes in the following years will amount to:

- in 2009: PLN 4 205 550.88 (schemes based on Class D, E, F, G Shares) + costs of the scheme based on Class H Shares (to be determined)
- in 2010: PLN 1 731 615.23 (scheme based on Class G Shares) + costs of the scheme based on Class H Shares (to be determined)

In 2009 the calculation of costs connected with the Fifth Incentive Scheme based on Class H shares will commence (see Resolution No. 18 of the Ordinary Shareholders' Meeting dated 28 June 2007). The final amount of costs connected with the scheme can only be determined after the approval by the Company Shareholders' Meeting of a list of persons entitled to take up Company shares as part of the scheme.
Depreciation of costs of the schemes based on Class D Shares (KDWT Incentive Scheme), Class E Shares (Third Incentive Scheme) and Class F Shares (Delikatesy Centrum Incentive Scheme) shall end in 2009.

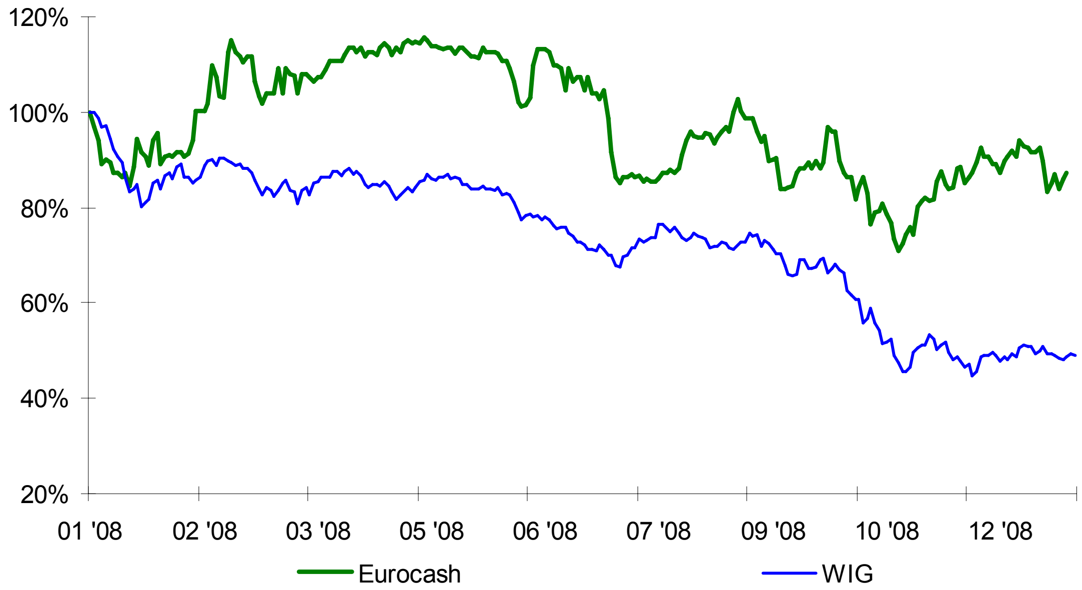
5.16. Eurocash listing on the Warsaw Stock Exchange in 2008[1]

Although the significant decrease in the price of shares of the companies listed on the Warsaw Stock Exchange was observed in 2008, the price for Eurocash shares was stable and its decrease was much smaller than WIG (Warsaw Stock Exchange Index). The price for one share at the end of 2008 was 13% lower than at the beginning of the year, whereas WIG dropped by 51%.

At the beginning of the year 2008 the price for 1 Eurocash share was PLN 12.00 (closing price at the end of 2007), and at the end of the year PLN 10.00. The lowest price for Eurocash shares was noted on 27 October when one share was worth PLN 8.13, and the highest price was noted on 6 May, when it amounted to PLN 13.27 for one share.

Company capitalization as at 31 December 2008 was PLN 1.31 billion as compared to PLN 1.53 billion as at the end of 2007.

Chart 7 Eurocash share price performance vs. WIG index in 2008



[1] *[1] Share proces are provided according to closing price on Warsaw Stock Exchange*

6. Additional information

6.1. Information on court proceedings

In 2008 the companies belonging to Eurocash Group were not involved into any legal suit in any court, nor in a body competent for arbitration proceedings nor an administrative body, which total value would amount to at least 10% of issuer's equity.

6.2. Information on significant agreements

In 2008 the Eurocash Group companies entered into the following agreements considered as significant for the business activity of the Group:

- On 17 April 2008 Eurocash signed an acquisition agreement of 100% of shares in McLane Polska Sp. z o.o.
- On 13 May 2008 Eurocash S.A. purchased 686,000 registered shares in PayUp Polska S.A. from the Dutch company PayUp Holding B.V. what represents 49% of the share capital of PayUp Polska. PayUp Holding B.V. The remaining 51% of shares holds PayUp Polska.
- On 14 May 2008 Eurocash S.A. purchased from 12 natural persons 53,39% of shares in Sieć Detalistów „ Nasze Sklepy". On the same day, Eurocash S.A. executed a preliminary agreement with the same persons, under which the parties are obligated to conclude a final agreement by May 14th 2010 whereby Eurocash S.A. will acquire further 90 shares in Nasze Sklepy. In performance of both these agreements, Eurocash S.A. will hold 97,07% of shares in Nasze Sklepy.
- On 30 November 2008 Eurocash S.A. sold to company FHC Sp. z o.o. spółka komandytowa with its registered office in Krosno 100% shares capital of subsidiaries company Eurocash Detal Sp. z o.o. for a total price of 8.300.000 PLN.

During 2008 there were no other major events and factors that influenced consolidated income or loss of the Eurocash Group realised in this period.

6.3. Information on transactions with related entities

During 2008 there were no significant transactions between the related companies within the Group apart from the transactions being a result of normal business operation on the market. The information on such transactions were presented in additional information to the separate financial statements for 2008 in note no 30.

6.4. Forecasts

The Management Board of Eurocash S.A. has not published financial forecasts for 2008.

6.5. Changes in the basic management principles

In 2008 no changes in the basic management principles took place.

6.6. Agreements with members of the Management Board providing for compensation

The Company has not executed any agreements with the members of the Management Board, providing for compensation in the event of their resigning or being dismissed from their positions without a sound reason.

Agreements with members of the Management Board consist that in case of a change of the main shareholder, i.e. change of the shareholder holding at least 50% and one share of Eurocash share capital (Politra B.V.), then the notice period in respect of the agreement will be 12 months.

6.7. Remuneration paid to the members of the Management Board and the Supervisory Board in 2008

Information on remuneration paid to the members of the Management Board and the Supervisory Board in 2008 is provided in the part of annual report containing the annual consolidated financial statements in note no 27.

6.8. Information on the registered audit company

The consolidated financial statement of Eurocash Group for 2008 has been audited by KPMG Audyt Sp. z o.o. on the basis of a contract concluded on 8 July 2008. The consolidated financial statement of Eurocash Group for 2007 was audited by KPMG Audyt Sp. z o.o. on the basis of a contract concluded on 24 May 2007.

The total fees specified in the contract with the registered audit company, payable or paid for the audit and review of the separate and consolidated financial statements and for other services are presented below:

PLN ‘000	**2008**	**2007**
Audit of financial statements	100.0	128.0
Review of financial statements	95.0	67.0
Other services	21,0	0,0
Total	216,0	195,0

7. Representations of the Management Board

7.1. Accuracy and reliability of the reports presented

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

- the consolidated annual financial statements and comparable data have been drawn up in accordance with the applicable accounting principles and give a true and fair view of the economic and financial position of Eurocash Group and of the results of its operations,
- the report of the Management Board on the business activities of Eurocash Group in 2008 contains a true views of the development, achievements and position of Eurocash Group, including a description of main risks and threats.

7.2. Appointment of the entity qualified to audit financial statements

The members of the Management Board of Eurocash S.A. represent that, KPMG Audyt Sp. z o.o., the entity qualified to audit financial statements, which audited the annual consolidated financial statements of Eurocash Group, 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

Position	Name and surname	Date	Signature
President	Luis Amaral	27th April 2009	
Management Board Member Chief Executive Officer	Rui Amaral	27th April 2009	
Management Board Member	Arnaldo Guerreiro	27th April 2009	
Management Board Member	Pedro Martinho	27th April 2009	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	27th April 2009	
Management Board Member Administration and Non-Commercial Purchasing Director	Ryszard Majer	27th April 2009	
Management Board Member Financial Director	Jacek Owczarek	27th April 2009	