CHAPTER V ISSUER'S BUSINESS

1. Basic Information on the Issuer's Business

1.1. Overall Description of Eurocash Operations

Under the Eurocash brand, the Issuer operates an independent, countrywide chain of self-service discount cash & carry warehouse stores (Discount Cash & Carry). The chain is the largest in Poland in terms of the number of outlets and one of the three largest in terms of revenue on FMCG sales (after Makro and Selgros). As at the date this Prospectus was updated, Eurocash operated 83 Discounts Cash & Carry, including 65 under Eurocash's direct management and 18 run under agency agreements. The latter's product range includes only Eurocash products delivered for sale by the agents.

The sales in Discounts Cash & Carry is operated in accordance with the cash & carry concept and focus on providing a selected, stable and fast-moving product range (consisting mainly of food products, non-alcoholic and alcoholic beverages, tobacco products, household chemicals and cosmetics) for small and medium-sized grocery shops (with retail space of less than $300m^2$). In accordance with the "cash & carry" shopping concept, customers select their merchandise, pay in cash, and transport their own purchases.

Majority of the Discounts Cash & Carry is located in medium-sized towns (with population of more than 50,000), where Eurocash is able to win a larger market share. The Discounts Cash & Carry also operate in larger cities, where the Issuer's Management Board believes they effectively compete with other large warehouse stores.

Eurocash is also a franchisor of the "abc" shops network, the largest branded local grocery shop chain in terms of the number of shops, according to the data of the *Handel* monthly (No. 8 and 9 of 2004). As at the end of July 2004, Eurocash operated 1,849 "abc" shops. The main objective of developing the "abc" shops network is to secure a stable group of reliable customers that make significant purchases at the Discounts Cash & Carry.

The "abc" shop owners are free to select their suppliers (both for products offered and not offered by Eurocash), decide independently what to include in the shop's product assortment, and determine the selling prices for the products. Such a strategy is based on an assumption that the individual shop owners have the best knowledge of the needs of local markets. The advantage of Eurocash as a supplier for the "abc" shops stems from its highly competitive prices, discounts, commitment of the managers of the Discounts Cash & Carry, individual relationships established with the owners of the "abc" shops, as well as coordination of promotional activities. Thanks to Eurocash support, "abc" shops are able to secure a competitive edge and expand operations, which in turn, helps push Eurocash sales upwards.

According to the Management Board, the distinctive feature of Eurocash is the strict adjustment of its business structure, product range, service, customer policy, and promotion, to the needs of the target customer group. On the wholesale distribution market, prices are the key factor determining the Company's competitive advantage and the possibility of a deeper market penetration. Hence, one of the key assumptions of the strategy adopted by the Issuer's Management Board is to offer the most competitive prices to customers, which is possible thanks to a strict control of operating expenses, direct cooperation with manufacturers, and efficient logistics.

In 2003, the Company reported revenue of PLN 1,374.5m and EBITDA of PLN 19.3m, to close the year with a net profit of PLN 4.1m. Such healthy financial results were posted by Eurocash in the first year of being managed by the current Management Board. The restructuring process has led to a material improvement in the Company's profitability in 2003 and 2004. In January–September 2004, Eurocash recorded sales revenue of PLN 1,196.0m, EBITDA of PLN 35.2m, and net profit of PLN 17.1m.

Assuming the Company's ability to implement the planned strategy, the Management Board of Eurocash expects a further improvement of profitability in the following years, which should be facilitated, among other things, by a scalable business model requiring minimum initial expenditure for future growth.

Table V.1. Key financial and operating data of Eurocash

	Jan-Sep 2004	Jan-Sep 2003	2003	2002*
Total net sales revenue (PLN ‘000):	1,195,982	1,019,463	1,374,545	274,560
EBITDA (PLN ‘000)	35,247	11,360	19,284	(10,129)
Operating profit (loss) (PLN ‘000)	21,527	1,418	5,879	(13,575)
Net profit (loss) (PLN ‘000)	17,141	950	4,100	(10,402)
Number of Discounts Cash & Carry	83	80	80	80
Number of registered cash & carry customers	68,019	66,270	65,905	68,900
Number of shops in the “abc” chain	1,838	1,733	1,781	1,864

** The Company has conducted business activities since October 2002.*

No data for 2001 is disclosed in the table as the Company did not conduct any business activity in the year.

Source: Eurocash.

1.2. Background

In 1995, the Issuer’s current business was taken over by Jeronimo Martins, a Portuguese distribution group, as part of a transaction involving the purchase of 48 warehouse stores and a distribution centre. Over the next several years, the Jeronimo Martins group profoundly reorganised the cash & carry warehouse stores operating under the Eurocash brand. Concurrently, the Jeronimo Martins group expanded its retail business in the form of a chain of discount stores operating under the Biedronka brand. While expanding its retail chain, Jeronimo Martins relied on the cash & carry warehouse stores as a wholesale supplier of numerous products to its discount-store chain. As a result of strategic changes in the Jeronimo Martins group in 1999–2001, (i) in 1999 the Biedronka chain was incorporated into the Jeronimo Martins Dystrybucja structure, leading to a drop in purchases made by Eurocash’s material customer (the Biedronka chain started to source supplies directly from the suppliers of Jeronimo Martins Dystrybucja) and prompting the group to establish its own retail chain (later named “abc”) and (ii) non-strategic operations were spun off, including those of Discounts Cash & Carry under the “Eurocash” brand – which at that time, as part of the Jeronimo Martins group, was posting operating losses (as was the entire Jeronimo Martins group in the period).

At the end of 2002, an organised part of the enterprise, comprising all the rights and obligations arising from conducting business activities in the form of the Discounts Cash & Carry under the “Eurocash” brand, was contributed in kind to Eurocash Sp. z o.o., whose sole shareholder was Jeronimo Martins Dystrybucja.

On March 4th 2003, the current President of the Issuer’s Management Board, Mr Luis Manuel Conceicao do Amaral (who formerly managed Eurocash), and Politra and Kipi (companies controlled by Mr Luis Manuel Conceicao do Amaral), purchased from the former shareholders almost all shares in the Company. One share was retained by Jeronimo Martins Dystrybucja.

Once it assumed control over Eurocash, the new Management Board focused on improving its profitability. The restructuring process focused on the following activities (for a more detailed description see Section 2 of Chapter VI): (a) cost restructuring and centralisation of operations, (b) restructuring of the “abc” shops network by focusing on more attractive localisations, (c) implementing a new employee incentive scheme, and (d) redefining the wholesale concept.

The restructuring actions resulted in the Discount Cash & Carry concept being created. Its management structure facilitates providing incentives to employees, and ensures control and effectiveness of operations, while maintaining low operating expenses and capital expenditures. The restructuring also pertained to the “abc” shops chain.

2. Issuer's Principal Market and Environment

Eurocash's principal market is the market of retail FMCG distribution via traditional channels; for the Issuer it consists mainly in wholesale supply of food products, non-alcoholic and alcoholic beverages, tobacco products, as well as household cosmetics and hygiene products (all in Eurocash's offering), mainly to small shops with a retail space of less than 300 m^2.

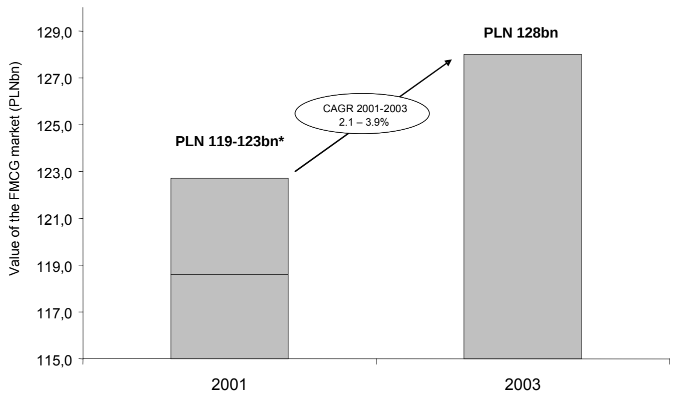
By and large, the Company's competitive position on the Polish market is dependent on the following factors:

- size and growth prospects of the Polish retail FMCG distribution market;
- market segmentation and importance of traditional distribution channels, and
- size, structure and changes of the Polish wholesale distribution market.

2.1. Polish Retail FMCG Distribution Market

According to research by CAL, the FMCG (Fast Moving Consumer Goods) market in Poland in 2003 was worth an estimated PLN 128bn, compared with PLN 119bn–123bn in 2001. Food and non-alcoholic beverages represent its dominant product group, accounting for ca. 72% of the market, that is PLN 92bn, in 2003.

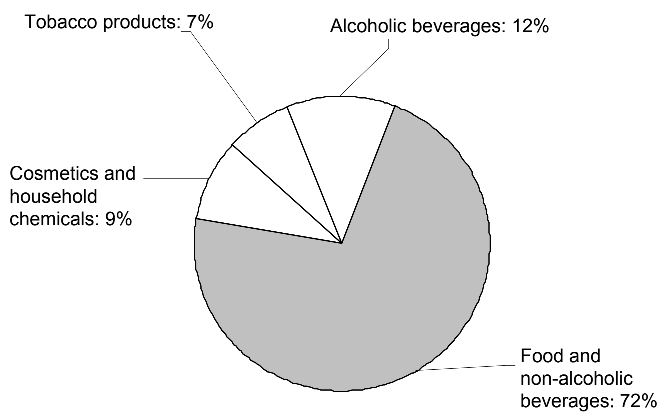
Fig. V.1. Development of the FMCG retail distribution market in Poland in 2001–2003



Source: CAL, 2002, 2004.

** Value of the market for 2001 is provided by CAL within a range.*

Fig. V.2. Product segmentation of the FMCG retail distribution market in Poland



Source: CAL Report 2004, the Company.

2.2. Market Segmentation and Importance of the Traditional Distribution Channels

According to CAL data, in 2003, approx. 75% of FMCG distribution (approx. PLN 96bn) was supported by what is known as the basic retail distribution channels, including:

- *modern distribution channels*: hypermarkets, supermarkets and discount stores; and
- *traditional distribution channels*: grocery shops, specialist shops, as well as household chemicals and cosmetics shops.

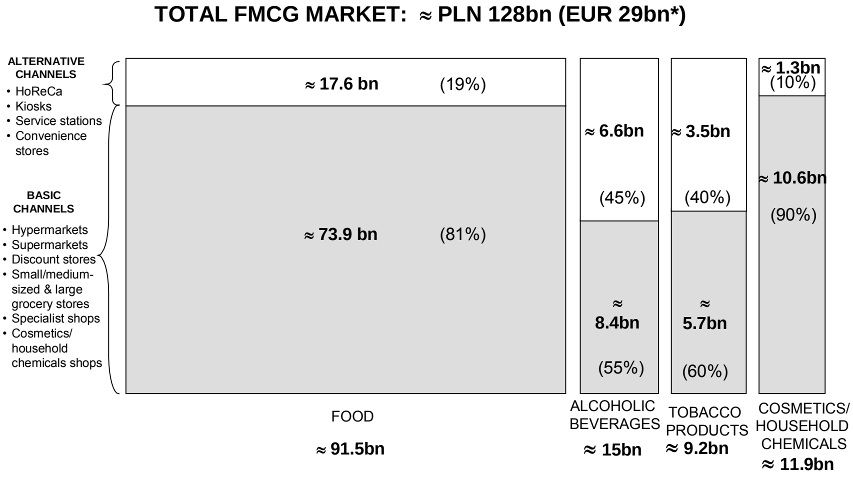
The remaining 25% of the market (PLN 32bn) are supported by what is known as the alternative FMCG distribution channels: HoReCa (hotels, restaurants and small gastronomy), catering, booths, service stations and convenience stores.

Table V.2. Shops by in the main FMCG retail distribution channels – definitions and market share

Distribution channels		**Type of store**	**Definition**	**% of FMCG market**
Alternative channels		HoReCa	Hotels, restaurants, cafés, pubs, night clubs, fast food points, bars, snack bars for travellers	25%
		Kiosks	Kiosks selling mainly newspapers and magazines, tobacco products, bus tickets and other items (e.g. RUCH, Kolporter, In-medio and private)	
		Service stations	Shops situated at petrol stations, serving the travellers	
		Convenience stores	Convenience stores, whose range of products and type of service are adapted to the needs of specific customer groups	
Main channels	Modern	Hypermarket	Retail space above 2,500 m^2; sells food and frequently also other consumer goods and daily-use products	27.7%
		Supermarket	Retail space from 300 m^2 to 2,499 m^2; sells mostly food and frequently also a limited range of personal and household cosmetics and detergents	
		Discount store	Retail space from 300 m^2 to 1,000 m^2; sells mostly food and frequently also a limited range of personal and household cosmetics and detergents (up to ~1,000 SKUs); low service quality	
	Traditional	Large grocery shop	Retail space from 100 m^2 to 300 m^2; sells mostly food and frequently also a limited range of personal and household cosmetics and detergents	47,3%
		Medium-sized grocery shop	Retail space from 40 m^2 to 100 m^2; sells mostly food and frequently also a limited range of personal and household cosmetics and detergents	
		Small grocery shop	Retail space below 40 m^2; sells mostly food and frequently also a limited range of personal and household cosmetics and detergents	
		Specialist grocery shop	Sells one type of food, e.g. fruit and vegetables, meat, fish or alcoholic beverages	

Source: CAL 2004, the Issuer.

Fig. V.3. Segmentation of the FMCG market in Poland in 2003



**) Gross revenue on retail sale of FMCG; average exchange rate in 2003: EUR 1 = PLN 4,40.*

Source: CAL 2004, the Company.

Regarding the main distribution channels, despite growing importance of modern distribution channels, gradually replacing traditional channels, the latter continue to have a dominant share in the Polish market both in terms of the value of sales (63% in 2003) as well as quantity. According to CAL's data, out of a total of 117,461 retail grocery shops operating in Poland in 2003, 115,231 belonged to the traditional distribution channels and 2,230 to the modern channels.

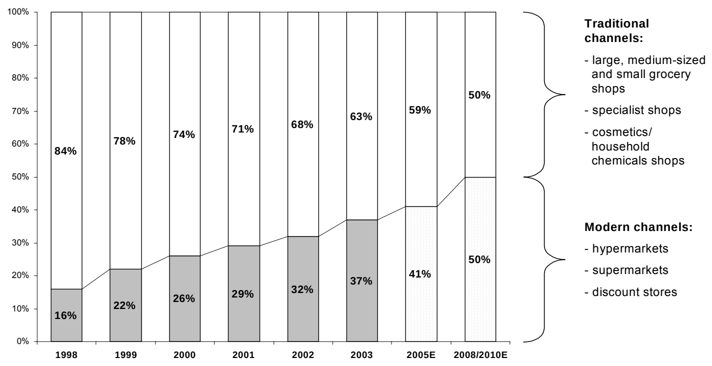
Table V.3. Evolution of the number of stores in the main channels of FMCG distribution in Poland, 2001–2004

Channel	2001	2002	2003	2004	% change 2001-2004
Hypermarkets	112	136	170	202	22%
Supermarkets	756	850	900	924	7%
Discount stores	1,000	1,050	1,160	1,274	8%
Large / medium groceries	29,463	30,200	30,495	30,800	2%
Small groceries	60,100	61,000	61,386	62,000	1%
Specialist shop	24,615	24,000	23,350	23,000	(2%)
Total	**116,046**	**117,236**	**117,461**	**118,200**	**1%**

Source: CAL, the Issuer.

According CAL's estimates, in Poland the traditional distribution channels will continue to prevail on the market of retail distribution in the years to come, and the importance of the modern distribution channels (measured by sales volume) will not equal that of the traditional ones until 2010 at the earliest.

Fig. V.2. Concentration of sales in the traditional and modern retail distribution channels



Source: CAL 2004, the Company.

This high market share enjoyed by the traditional distribution channels in an outgrowth of the specific demographic structure of customers and their preferences:

- *Demographic factors*: according to the Central Statistics Office's data, in 2003 38.4% of the population inhabited rural areas, and there were 478 towns with a population below 10,000 inhabitants and over 56,000 villages, in which the traditional retail distribution channels are of the largest importance.
- *Low mobility of the population*: according to the Central Statistics Office's 2003 data, as few as 2% of the population moved to another province in 1989–2002 (fourteen-year period); in 2003, the ratio of registered cars per one thousand of inhabitants stood at 294, compared with 460 in Western Europe; the low mobility and lack of a car limit the neighbourhood, as perceived by inhabitants, thus limiting the area considered for everyday shopping.
- *Living conditions adverse to food storage*: according to the Central Statistics Office, in 2003, the rooms *per capita* ratio in Poland stood at 1.2, compared with ca. 2 in Western European countries (Eurostat's data); difficult living conditions encourage more frequent lower-value purchases.

On account of the factors referred to above, customers in Poland are more likely to do the shopping of lower value and more frequently than in Western Europe. The table below presents compared values and frequencies of shopping in Poland and Western Europe.

Table V.4. Value and frequency of shopping in Poland and Western Europe

2003	Average annual household spending (EUR)	Average value of a shopping basket (EUR)	Average annual number of shop visits
Great Britain	2,898	21	138
France	4,346	34	128
Italy	3,729	15	247
Germany	2,934	13	229
Spain	1,567	12	133
Poland	1,535	4	361

Source: AC Nielsen 2004, Poland Entering EU, Retail & FMCG Trends.

Due to Spain's similar demographic structure, the Polish market is often compared with the Spanish market. However, while comparing these two markets, it should be taken into account that the development of a modern retail market in Spain commenced in 1984, upon Spain's accession to the EU. Despite the fact that the retail market in Spain is more mature compared with Poland's (Spain has for almost 18 years now been a member of the European Union), the present market share of traditional stores in the Spanish FMCG market is estimated at approx. 40% (CAL's data).

Organised chains of small retail stores begin to grow in importance in the fragmented segment of the traditional distribution channels. The key advantages of functioning in the chain are better shopping conditions, a possibility to offer competitive prices, and joint marketing actions. Retail chains differ in terms of operational policies and origin. A large number of these groups were established by strong warehouse stores, which integrated independent trade sector, thus establishing loyal customer bases. Examples of chains of this type include "abc" small shops chain (Eurocash), Lewiatan grocery store chain (DLS warehouse store), Groszek chain of small retail stores (Eldorado warehouse store) and Chata Polska grocery store chain (Marol warehouse store). The other group includes chains established independently of warehouse stores, for instance Sieć 34 or Żabka convenience stores.

According to the data by *Handel* monthly, currently the largest chain by sales value is PSH Lewiatan. The value of its 2003 sales revenue is estimated at PLN 2.89bn. The revenue in excess of PLN 2bn was also reported by Sieć 34 and "abc". According to the assessment by GfK, quoted by the *Handel* monthly, the share of the 116 largest franchised and integrated chains in the total FCMG retail market was ca. 14% in 2003.

Table V.5. Major retail chains in Poland*

No.	Name of chain	Name of company / association	Number of shops in Q1 2004	Total retail space in Q1 2004 (thousands m^2)	Estimated sales revenue in 2003 (PLNm)
1.	abc	Eurocash	1,755	140.4	2,140
2.	PSH Lewiatan	ZKiP Lewiatan'94 Holding SA	1,609	148.4	2,888
3.	Żabka	Żabka Polska SA	1,206	57.9	896
4.	Sieć 34	Rabat Pomorze SA	945	113.4	2,182
5.	Nasz Sklep	Polska Sieć Handlowa Nasz Sklep SA	288	46.6	409
6.	Polska Sieć Handlowa L.D.	Lewiatan Detal Holding SA	327	48.3	629
7.	Groszek	Groszek Sp. z o.o. (Eldorado SA)	300	33.0	385
8.	Sklep dla Ciebie	Stowarzyszenie Kupców Polskich	250	21.3	320
9.	IGA	IGA Inc. (Mc Lane)	168	37.0	499

** "Społem" stores are not included due to their organisational structure*

Source: Handel *monthly (No. 8 and 9 of 2004); websites of the chains.*

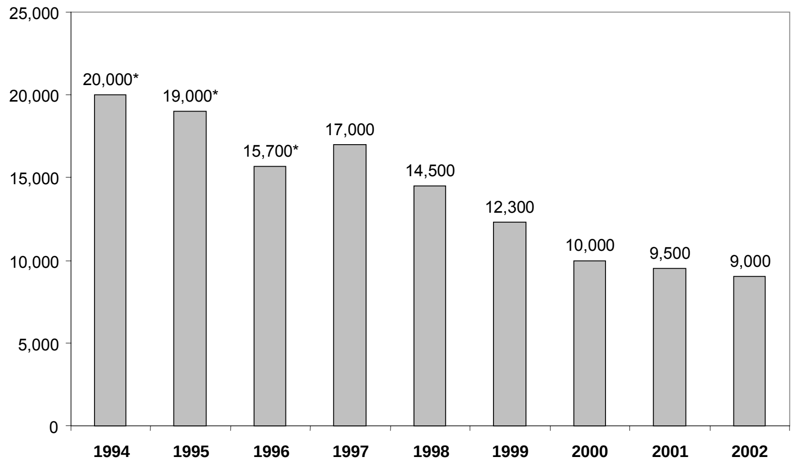
2.3. Structure and Changes in the Wholesale Distribution Market in Poland

The main source of supply for over 117 thousand retail stores which operated in the traditional distribution channels in Poland in 2003 were wholesalers actively involved in distribution and direct deliveries from well-known producers of brand products (Coca-Cola, Danone). Other forms of supplying the traditional market include the cash & carry purchases, van selling, as well as sales conducted through the intermediation of sales representatives acting on behalf of a wholesaler.

Based on CAL data, the Issuer estimates the gross size of the wholesale FMCG market to be PLN 60,5 billion. The wholesale trade sector, which until recently was dominated by a large number of small local wholesalers, has witnessed a fast consolidation over the last few years. The total number of wholesalers decreased from approx. 20,000 in 1994 to approx. 9,000 currently, and a further decrease to the level of approx. 5,000 is expected in the next five years. (CAL's forecasts).

In the opinion of the Issuer's Management Board, the consolidation processes on the wholesale market follow from several factors, resulting in higher expectations of store owners as to service efficiency and quality. Manufacturers and importers give preference to larger chains which are in a position to offer a wider scale of distribution and a better quality of services, which enhances their attractiveness to customers, i.e. store owners. The competitive pressure and growing requirements (regarding for example hygiene concerns) eliminate small local players, which are also unable to offer good prices. As the number of small wholesalers decreases, the market share and importance of existing large wholesale chains increases.

Fig. V.3. Number of warehouse stores in Poland in 1994–2002



* *Excluding specialised wholesalers, such as: beverage, dairy products, and meat and meat products wholesalers.*

Source: CAL 2004.

The effect of the on-going consolidation and of the rise in the importance of large chains is a considerable sales concentration: according to CAL's data for 2003, regional and countrywide wholesalers representing 2% of the number of warehouse stores generated above 40% of the sales value of all wholesalers.

A vast majority of currently active wholesalers operating on the market of FMCG products distribution are players active on small local markets (approximately 6,000 according to CAL's classification). Approximately 120 wholesalers operate only on the regional and supraregional markets, and as few as six warehouse stores have nationwide presence.

Table V.6. Participants of the wholesale market of FMCG products in Poland

Nationwide	Supraregional	Regional	Local
Present countrywide, conducting active sales in 16 provinces. Directly cooperate with producers. Include international wholesale networks (Makro, Selgros) and other companies with Polish and foreign equity (e.g. Eurocash, Polski Tytoń, Milo, Centrum Alkoholi).	Present in a few regions and conducting sales in a few provinces. Cooperate closely with producers, are often members of wholesalers' groups (e.g. Eldorado, DLS).	Enjoy a strong regional position and in most cases conduct active sales only in one province. Cooperate directly with producers. In most cases function as standalone companies with one to four branches.	Active on the local markets. Do not cooperate directly with producers but act primarily as sub-wholesalers, often offering specialised product ranges.
≈ 6 companies	**≈ 120 companies**		**≈ 6,000 companies**

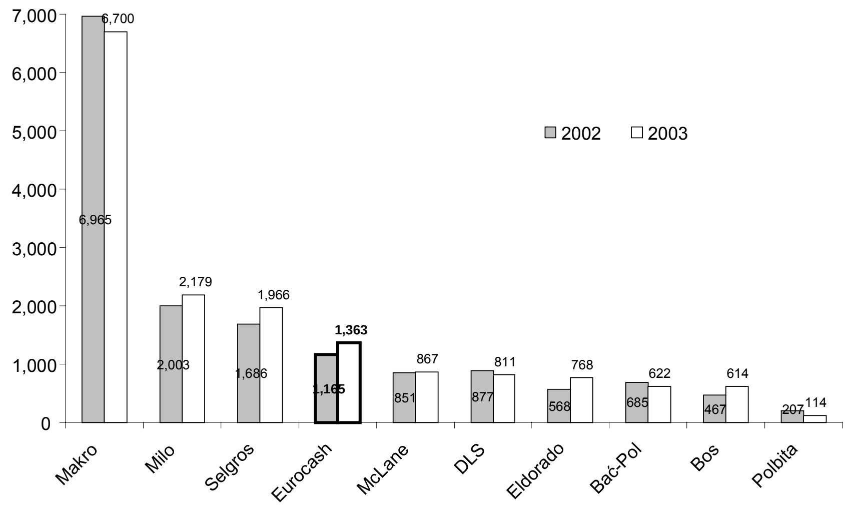
Source: CAL 2004.

As far as the cash & carry system is concerned, the market leaders competing with Eurocash include Makro, which is a part of the Metro AG of Germany, and Selgros, owned by Rewe AG of Germany.

However, the business model of both these chains somewhat differs from that of Eurocash. Makro and Selgros sell products both to shop owners and to retail customers, which requires maintaining significantly larger stores, with areas of approx. 15,000m^2 and a product offering of approximately 40,000 types of products. Such large warehouse stores require significant initial expenditure and their existence is economically justified only in relatively large cities.

As at the end of 2003 Makro had 20 warehouse stores (one warehouse store opened in 2004), and Selgros – 9. Both chains compete with Eurocash in the area of supply of shop owners in large cities, but given Eurocash's present strategy, in the opinion of the Issuer's Management Board, they do not represent significant competition for Eurocash in those regions of the country where the warehouses are not easily accessible.

Fig. V.4. Turnovers of the largest wholesale chains in Poland



Source: *Handel* monthly.

Other significant market participants of regional presence include Milo (which specialises in the wholesale of tobacco products and impulse products), McLane (which specialises in supplying mainly convenience stores and service stations), DLS and Eldorado (which operate in south-eastern Poland). The table below presents key data on the most important participants of the wholesale market.

Table V.7. Major participants of the wholesale market of FMCG products

Wholesale chain	**Sales revenue in 2003**	**Average warehouse store area**	**Number of stores**	**Product range (number of SKUs*)**	**Location**	**Cash & carry activities**
Makro Cash & Carry	6,700	15,000 m^2	21	47,000	Large cities	✓
Milo	2,179	n/a	16	2,500	Large cities	-
Selgros	1,966	12,000 m^2	9	40,000	Large cities	✓
Eurocash	1,363	1,500 m^2	83	3,500	Medium-sized cities	✓
McLane	867	n.a.	14	6,000	Medium-sized and large cities of central and western Poland	-
DLS	811	1,500 m^2- 2,000 m^2	28	6,000	Medium-sized and large cities of northern Poland	✓
Eldorado	768	3,000 m^2	16	7,500	Medium-sized and large cities of south-eastern Poland	✓
Bać-Pol	622	750 m^2 – 4,400 m^2	9	2,700 6,800	Medium-sized and large cities of south-eastern Poland	✓

Source: Retail Poland, PMR 2003; websites of wholesalers, Company.

**SKU – Stock Keeping Unit.*

3. Issuer's Sales

3.1. Customers

The strategic target clients group for Eurocash are small and medium-sized shops (with a surface area below 300 m^2) situated in medium-sized or small towns and villages. Such shops conduct retail sales of food products, detergents and cosmetics.

As at the end of June 2004, Eurocash had over 60,000 registered and active customers. None of the customers accounted for more than 5% of Eurocash total sales. In aggregate, the five largest customers of Eurocash account for approx. 5.2% of the Company's total sales (based on the data for the first nine months of 2004).

3.2. Sales Volume and Segmentation

Discounts Cash & Carry offer selected FMCG products for small and medium-sized shops. The needs of this target group are the main factors in the Company's decisions concerning its product range. That is why Eurocash product range may satisfy most of the needs of small and medium-sized shops.

The product range offered by a typical Discount Cash & Carry includes ca. 3,500 products now, of which approx. 85% are food products and beverages. The tables below presents sales breakdown by key groups of products offered by Eurocash.

Table. V.8. Sales by groups of products (PLN '000).

	Jan–Sep 2004	Jan–Sep 2003	2003	2002*
Food products and non-alcoholic beverages	616,531	520,201	703,720	156,615
Chemicals (household chemicals and cosmetics)	115,236	116,632	151,006	34,236
Alcohol and tobacco products	231,545	188,950	255,474	28,287
Fresh produce	155,419	135,157	183,313	41,345
Net revenue on sales of goods and materials	1,118,731	960,940	1,293,513	260,482

** The Company commenced business activities in October 2002.*

No data for 2001 is disclosed in the table as the Company did not conduct any business activity in the year.

Table. V.9. Sales structure by groups of products.

	Jan–Sep 2004	Jan–Sep 2003	2003	2002*
Food products and non-alcoholic beverages	55%	54%	54%	60%
Chemicals (household chemicals and cosmetics)	10%	12%	12%	13%
Alcohol and tobacco products	21%	20%	20%	11%
Fresh produce	14%	14%	14%	16%
Net revenue on sales of goods and materials	100%	100%	100%	100%

** The Company commenced business activities in October 2002.*

No data for 2001 is disclosed in the table as the Company did not conduct any business activity in the year.

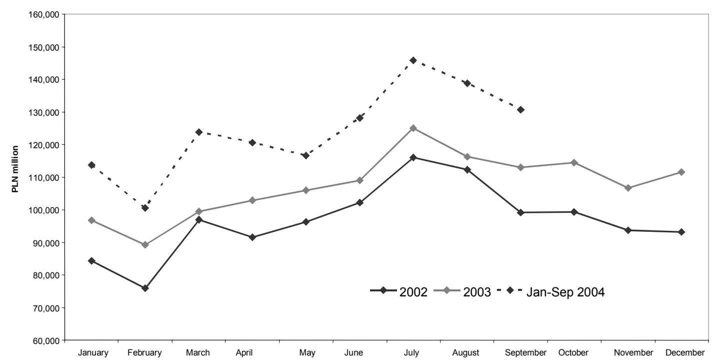
Besides offering well-known brands, Eurocash also markets products available exclusively in its chain; the sales of such products account for approx. 13% of the Company's total sales. These private brands are autonomous and their image is independent of Eurocash. As indicated on the packaging, they are produced by recognised manufacturers.

Eurocash offering includes also regional products and brands (e.g. brands of coffee and mayonnaise or dairy products), in line with the needs of local market customers.

3.3. Seasonal Nature of Sales

Sales at Discounts Cash & Carry are subject to seasonal changes and depend primarily on demand for consumer goods and the market share of a given distribution channel throughout the year. The largest sales are reported in summer months (July-August) and at year-end, and they reach their lowest in January and February. Seasonality in sales is correlated chiefly with customer behaviour patterns (e.g. higher purchases in small and medium-sized shops in summer follow from higher demand for beverages and the fact that more people leave towns). Sales seasonality is typical of the sector and, in the opinion of the Management Board, does not represent a material risk factor.

Fig. V.5. Seasonal nature of Eurocash sales in Jan 2002–Sep 2004*

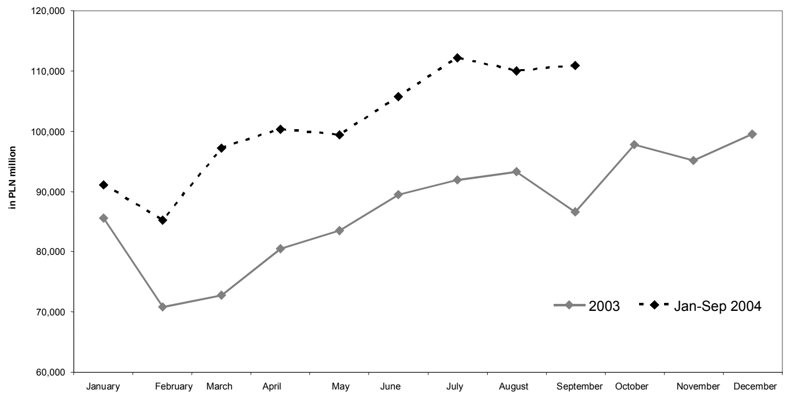


Source: Eurocash

** Note: The sales figures for Jan–Sep 2002 are disclosed for information purposes only. The data has been derived from the management information system and is unaudited. The data relates to the operating activities of warehouse stores operating under the Eurocash brand and includes the data on the activities carried out prior to this business being contributed to Eurocash Sp. z o.o. The data does not account for sales to the Biedronka chain.*

Similarly to sales, stocks also show seasonal fluctuations and depend mainly on the sales volume in a given month. One of the factors behind the high correlation between the changes in stocks and sales in consecutive months is the nature of goods offered by Eurocash (Fast Moving Consumer Goods).

Fig. V.6. Seasonal nature of Eurocash stocks in Jan 2003–Sep 2004



Source: Eurocash.

3.4. Geographical Diversification of Sales

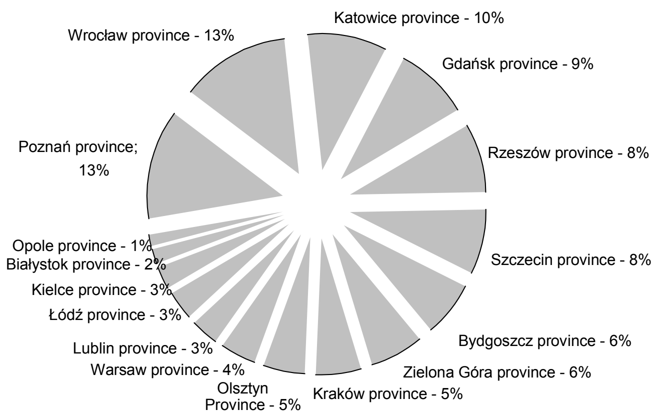
Eurocash is the largest and the only countrywide wholesale network in Poland. A majority of Discounts Cash & Carry are located in medium-sized towns (with population over 50,000). Drawing on the experience of its Management Board, the Issuer chose to locate Discounts Cash & Carry in smaller towns, so as to win a larger market share thanks to limited competition from other large wholesalers, which require a markedly higher critical mass of potential customers than Eurocash. Discounts Cash & Carry are also located in larger towns, where, in the opinion of the Management Board, they can successfully compete with large warehouse stores currently present on those markets. The Company aims at ensuring low operating costs and optimisation of its product offering, which facilitates deeper market penetration (for more information on the competition see Section 2 of this Chapter V).

Eurocash operates countrywide. However, the following western and southern regions have the largest (ca. 60%) share in its sales – the Poznań, Wrocław, Katowice, Gdańsk, Rzeszów and Szczecin provinces. Eurocash does not sell goods abroad. The map and chart below present the geographical reach of Eurocash and the regional diversification of its sales.

Fig. V.7. Geographical reach of Eurocash Discounts Cash & Carry (as at September 30th 2004)

Source: Eurocash.

Fig. V.8. Regional diversification of Eurocash sales (January–September 2004)



Source: Eurocash.

Distribution to Discounts Cash & Carry is coordinated by two distribution centres in Poznań and Pińczów. Except for regional products, which are distributed directly from suppliers to Discounts Cash & Carry, goods are delivered from the distribution centres directly to Discounts Cash & Carry.

4. Eurocash's Business Concept

Eurocash operations rely on a business model unique on the Polish market, i.e. Discount Cash & Carry. The Issuer has based its business concept on adapting its business to the needs of the Polish retail market, whose current pattern is best defined by the dominating role of the traditional distribution channels, demographic structure (a large number of small towns, low mobility and dispersion of the population), as well as customers' preferences (frequent small, lower-value purchases at small shops in housing estates).

With such market characteristics, in an attempt to reach a broad group of target customers – owners of small and medium-sized shops (with a retail space below 300 m^2), the Issuer resolved to develop a concept based on offering the lowest prices possible, attractive to small shop owners and their customers, as well as on the largest possible market penetration. The concept is implemented through:

- strict adaptation of the offering of Discounts Cash & Carry to the needs of the target group,
- maintaining low operating expenses, and
- low initial capital expenditure and low expansion cost.

So defined Eurocash's business strategy encompasses the following four areas:

- positioning towards the customers of Discounts Cash & Carry,
- positioning of the "abc" franchised shop network,
- positioning towards suppliers, and
- optimising operating expenses.

The business concept of Discounts Cash & Carry, combined with the reach of the "abc" shop chain, allow Eurocash to develop a special position in relation to the customers of Discounts Cash & Carry, "abc" shops, and suppliers. The positioning of Eurocash in these areas and the added value in these relations can be presented in the following way:

Table V.8. Key elements of the Issuer's business concept

Positioning with customers of Discounts Cash & Carry	Positioning of "abc" franchised shop chain	Positioning with suppliers
▪ Slogan: "Lowest Prices Warehouse Store" (daily low prices in the most popular products' basket) ▪ Business strategy strictly adapted to the needs to the target group ▪ Offering for customers including: - low prices - quick and convenient shopping - availability of goods - sale of single items - attractive promotions - personalised relations	▪ Slogan "The largest neighbourhood-type shop chain" ▪ Benefits of the participation in a major chain and advantages of a neighbourhood shop ▪ Location enabling neighbour-to-neighbour relations to be built. ▪ A shop-owner's key role in positioning (neighbour-to-neighbour relations within the local society and responding to the needs of local market) ▪ Marketing, promotional and training support from Eurocash ▪ Shop design	▪ Slogan "All Poland within reach" ▪ Extensive numeric distribution (number of retail shops in which a given product is available) in the most numerous market segment ▪ Optimisation of distribution – supplies to Eurocash's two distribution centres ▪ Higher effectiveness of mass advertising campaigns by ensuring countrywide availability of products
Optimising operating expenses at each stage of the value-creation process		

Source: The Issuer.

4.1. Key Elements of the Issuer's Positioning with the Customers of Discounts Cash & Carry

Eurocash's business strategy is strictly adapted to the target customer group comprising owners of small and medium-sized shops. The major elements to distinguish the offering of Discounts Cash & Carry for their customers from those of other wholesalers include:

- *Low prices.* The Issuer's business concept is based on offering the lowest prices possible. The Issuer's Management Board's experience proves that the wholesale prices are the primary criterion in the selection of a supplier by owners of small and medium-sized shops from the target group.

- *Quick and convenient shopping.* While selecting a wholesaler, the time required for purchases is a material criterion for shop owners with limited working capital, who supplement their stock a few times a week. Quick purchases are possible at Discounts Cash & Carry as their layout is adapted to the needs of a small shop (the average sales area of a Discount Cash & Carry stands at about 1,500 m^2), and the design and product display are adapted to the needs of a small shop owner (no-frills store concept – Eurocash incurs no additional cost to make product display more attractive, unlike certain competing warehouse stores which also target retail customers). Every week, on average approx. 25,000 customers make purchases at Discounts Cash & Carry.
- *Availability of goods.* The Company's logistic structure optimised to maximise the availability of goods at individual Discounts Cash & Carry and minimise the risk of deficits.
- *Sale of single items.* Eurocash's customers may purchase single items, which is of major importance to small shop owners, as it enables them to reduce expenditure on purchases and their working capital employed.
- *Attractive promotions.* Eurocash uses various promotion forms addressed to the customers of Discounts Cash & Carry, such as loyalty programmes, information brochures, posters, private promotions for specific customer groups, etc. The Issuer uses also state-of-the-art means of communication with its customers, e.g. SMS notices of promotions for regular customers, new products, etc.
- *Personalised relations.* The operational concept employed by the Discounts Cash & Carry provides for operations based on personal, individualised relations with customers; Discount Cash & Carry managers play the pivotal role in the positioning of Eurocash on the market.

4.2. Eurocash's Concept of Organisation and Management of the "abc" Shop Chain

The development of the "abc" franchised shop chain plays an important part in increasing the share in total purchases of Eurocash customers, mainly small and medium-sized grocery shops (with a retail area below 300 m^2). A key objective of the development of the "abc" chain is building a stable group of reliable customers who make considerable purchases at Discounts Cash & Carry. The support received from Eurocash helps the "abc" chain to gain competitive advantage and improve their operations, which in turn translates into higher sales by Eurocash.

Individual retailers do not have the skills or financial resources necessary to carry out effective marketing campaigns. The "abc" chain successfully combines the personal contacts of shop owners with their clients and the purchasing power of a large organisation able to deliver good products, which are properly advertised and competitively priced.

The "abc" shops are local shops selling grocery and household goods. As at the end of September 2004, the "abc" chain already included 1,838 shops countrywide and was the largest retail chain in Poland in terms of the number of shops. Approx. 82% of the shops had a retail space below 100 m^2. The "abc" shops are located in areas where a creation of neighbour-type relationships is possible: housing estates, centres of middle-sized and small towns and villages, and trade routes.

In relation to its clients, "abc" positions itself as the "Largest neighbourhood-type shop chain", offering, on the one hand, the benefits of operating in one of Poland's largest chains, and on the other hand, the advantages of a local shop.

The key element of the market positioning of the shops, and one of the basic distinctive features of the "abc" chain, is connected with the person of the shop owner, whose role consists in creating and maintaining good relationships in the local communities and identifying and responding to the needs of the local market. Eurocash prefers the shops included in the "abc" network to be the only businesses conducted by their respective owners, which is an appropriate guarantee of the owners' commitment and an incentive to care for a good condition of the shop.

Eurocash carefully selects the shops to be included in the "abc" chain. The criteria for selection of cooperating undertakings include demographic factors (number of potential customers living within a short distance from the shop), location (shops in housing estates, in rural areas, of a "neighbour-type" nature), the person of the shop owner, and the financial standing of the shop, ensuring that purchases made in the Eurocash network are at a proper level.

From the shop owner's perspective, operation within the "abc" chain offers a number of advantages:

- *Marketing and promotional support* – very important from the perspective of a small shop owner, as such support would otherwise be unavailable; promotions allow the shop to attract more customers and make it possible to compete with large chains.
- *Shop design* – Eurocash bears the costs of design, including a uniform colour of the external walls of the shop, advertisement panels, promotional materials (posters, price labels), shop brand bags, and employees' uniforms; the design distinguishes the shop from other shops and supports effective communication of promotions.

- *Better prices* – operation within a network guarantees attractive terms of cooperation with the Eurocash chain, based on a system of price concessions and volume, promotional and cash discounts; this allows the chain to compete effectively with other chains, and the price and margin stability facilitate better planning of the business.
- *Training* – the Discount Cash & Carry managers meet regularly with "abc" shop owners, which facilitates ongoing controlling and optimisation of product offering for each shop. In addition, Eurocash employed (and plans to employ in the future) an independent company to carry out training for the shop owners.
- *Trade credit for selected clients* – the use of a credit allows the shop owner to increase sales, carry out investments, and to easier develop the business.
- *Joint promotional activities* – targeted directly at the customer distinguish the "abc" shops from all other shops and foster their positioning as both suited to the customers' needs and part of a large nationwide chain. Promotional actions involve media with nationwide coverage, including television, but they also take form of local promotions, carried out with the participation of the "abc" shops. An example of the latter are weekly folders distributed locally, summarising the offering and current promotions at the "abc" shops.

In exchange, each "abc" shop pays a monthly marketing fee as a means of participating in the marketing costs incurred by Eurocash and for using the "abc" brand. The monthly marketing fee per shop is PLN 200.

Each shop owner is free to decide on the choice of products the shop offers, choose the suppliers (both for products offered and not offered by Eurocash), and determine the selling prices for the products. Such a strategy is based on the assumption that the shop owner has the best knowledge of the needs of the local market and can respond to those needs.

Usually the fastest moving products in the "abc" shops are purchased from Eurocash, whereas the local and fresh products come from other suppliers. The advantage of Eurocash results from highly competitive prices, discounts, commitment of the Discount Cash & Carry managers and individual relationships with the owner of the "abc" shop, as well as promotions targeted at the shop owners.

The cooperation with "abc" shops is based on trade cooperation (franchise) agreements. For a detailed description of the terms of trade cooperation agreements with the "abc" shop chain see Section 6.7 of this Chapter V.

4.3. Key Assumptions of the Issuer's Strategy in Relations with Suppliers

The Issuer's strategy for cooperation with suppliers is a key element affecting Eurocash ability to:

- address the needs of the target customer group;
- obtain favourable pricing and payment terms by offering suppliers access to a large customer base throughout Poland.

This strategy is based on the concept of innovative partner in achieving the widest distribution scale in the largest market segment in Poland ("All Poland within Reach").

In the opinion of the Issuer's Management Board, the key factors that make the Company's offering attractive to the suppliers include:

- *Extensive numeric distribution (number of retail shops in which a given product is available)* – a base of approx. 60,000 registered and active Eurocash customers; on average approx. 25,000 customers per week.
- *Reduction of distribution costs and management of distribution channels* – the producer, while supplying the two distribution centres in Poland, reaches all the shops which purchase their supplies at Eurocash.
- *Improved market share compared with regional suppliers* - Eurocash purchases mainly from its regular suppliers, thus improving their competitiveness in relation to regional suppliers.
- *Increased effectiveness of promotion* – as a result of distribution of its products in small and medium towns where Discounts Cash & Carry are situated, the producer may increase the effectiveness of its spending on mass promotional campaigns.

Eurocash has developed an active marketing policy among suppliers, which provides for regular meetings with suppliers to present the Issuer's results and strategy. Equally important are Eurocash managers, including those responsible for managing individual product categories.

Because of the range of goods offered by Eurocash and its geographically diversified sales, its suppliers group is very large. As at September 30th 2004, the Company had 357 suppliers, including 279 central, 54 regional, and 24 seasonal suppliers. 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.

No Eurocash supplier accounts for more than 5% of the supplies, and the five largest suppliers represent approx. 16% of the total supplies (according to the data as for the first nine months of 2004). The twenty largest Eurocash suppliers account for approx. 42% of the supplies value.

4.4. Optimising Operating Expenses

One of the key factors which enables the Issuer to implement its strategy is strict control over operating expenses, encompassing all elements of the value-creation process, particularly in the following areas:

- purchase of goods;
- logistics;
- central management systems, and;
- effectiveness of operations of Discounts Cash & Carry.

Optimising Procurement Costs

Eurocash co-operates with key FMCG suppliers in Poland. Limited product range and focus on selected suppliers increase Eurocash's attractiveness as one of the key customers and helps negotiate favourable terms of purchase (in particular with regard to prices and payment dates). Eurocash is also an attractive partner for its suppliers because of the nationwide distribution of Discounts Cash & Carry.

Optimising Costs of Goods Storage

As far as its logistic base is concerned, Eurocash draws on ten years of experience of cash & carry operations in Poland. Eurocash has two distribution centres located in Poznań and Pińczów. The average time of storing goods in the distribution centres is six days. The availability of goods ordered by each Discount Cash & Carry amounts to approximately 95%. Efficient stock management helps reduce storage costs and use working capital more effectively.

Optimising Transport Costs

Eurocash optimises transport and distribution costs by outsourcing all transport services. These services are provided to Eurocash under individual contracts by independent drivers (vehicle owners), who have low operating costs and consider Eurocash an important customer.

Centralised Systems for Monitoring Effectiveness

The Head Office, distribution centres, and the individual Discounts Cash & Carry operate using a modern fully-integrated "mySAP Business Suite" computer system operating on the basis of the "ORACLE Database" platform and an extensive database of approximately 60,000 registered and active customers. The system supports real-time management of current assets at every Discount Cash & Carry, analysis of sales at the level of individual products and customers, optimisation of deliveries and transport and analysis of every trade credit granted. Daily monitoring helps oversee the Company's operations on an on-going basis serves, is a source of information for the Management Staff to make majority of business decisions, and enables the Company to quickly respond to market needs.

Optimising the Effectiveness of the Discounts Cash & Carry

The following factors are vital for effective operations of Discounts Cash & Carry:

- *Low initial expenditure* – Discounts Cash & Carry are located in leased premises adapted to the Company's needs. The opening of a new Discount Cash & Carry under an agency basis requires expenditures only on basic elements of a store's outfitting, i.e. shelving used for storage, cooling rooms, cash registers, pallet jacks, display panels, and computer equipment. On average, initial expenditure is reimbursed within approx. 2 years as of the launch of operations. Moreover, locating Discounts Cash & Carry in leased premises reduces the location-related risk, as any Discount Cash & Carry may be easily moved without incurring high costs.
- *Minimum stock maintenance costs* – optimisation of the product range in line with the needs of small and medium-sized shop owners (selected fast moving products) facilitates the reduction of the required stock maintenances costs (average stock cycle is approx. 16 days). Thanks to on-going monitoring of stocks, the availability of goods looked for by customers of Discounts Cash & Carry is, on average, 95%. A strict operating control ensures that the warehouse loss ratio is maintained at 0.3% of the sales value.
- *Minimum lease costs* – by maintaining only a selected range of goods at warehouse stores, the Company can limit the required warehouse space, and thus curb the costs of premises. The average retail area of a Discount

Cash & Carry is ca. 1,500 m^2. Furthermore, every Discount Cash & Carry is situated in a location carefully chosen to ensure low lease costs and access by the target customer group.

- *No cost of secondary logistics* – purchases are executed exclusively on the cash & carry basis, without the store transporting supplies to the customer. The Issuer's research reveals that Eurocash's target customer group prefers this type of purchases.
- *Optimal use of trade credit* – in its efforts to achieve the lowest prices possible, Eurocash prefers cash transactions and extends trade credit in a limited scope only, to loyal and proved customers. The Company monitors the balance of debt of each of its borrowers on a daily basis, thus seeking to minimise bad credit. A strict operating control ensures that the bad credit ratio is maintained at 0.03% of the sales value.
- *Price monitoring* – Eurocash prices are monitored on an on-going basis to ensure their competitiveness; every week 2,300 comparisons at over 30 rivalling warehouse stores are made.

5. Significant Agreements

Given the nature of the Issuer's business, the shareholders' equity criterion is not appropriate to make a correct assessment of the significance of an executed agreement. The Company conducts wholesale trade in the cash & carry system, which allows it to use negative working capital and finance its operations largely with trade credits from suppliers. Such financing structure is typical of this business and helps achieve substantial sales while maintaining a relatively low employment of the shareholders' equity compared with other industries. Therefore, the Issuer assumed 10% of sales revenue in the last four quarters, that is from Q3 2003 to Q2 2004, as the criterion for classification of agreements as significant agreements and material agreements, such a criterion being adequate for assessment of the agreements' importance.

Based on this criterion, the only agreement that should be deemed significant within the meaning of Par. 2.1.64 of the Prospectus Regulation is the agreement concluded on March 15th 2004 with Sopockie Towarzystwo Ubezpieczeń Ergo Hestia SA of Sopot. It is an all-risk insurance agreement covering the assets which the Issuer owns or holds in possession and for which the Issuer is responsible under certain agreements concluded in writing, if such agreements include the Issuer's undertaking to insure such assets. The agreement also provides for loss of earnings insurance against all risks. The agreement specifies the locations in Poland covered by the agreement.

The agreement stipulates the sum insured for the Issuer's individual assets and limits of the insurer's liability for individual risks, with the total limit of the insurer's liability for compensation set at PLN 200,000,000 (per one and all occurrences). The inflation-linked increase in the declared sum insured may not exceed 5%.

Whenever a new asset is purchased or operations commenced in a new location, the insurance coverage is extended accordingly against the payment of a new adjusted premium.

The insurer participates in the cost of necessary and justified expert opinions relating to the assessment of the extent of damage and identification of the compensation amount. Under the agreement, the insurer is free from liability for damage caused by wilful misconduct or gross negligence on part of the insured's representatives. The agreement stipulates limits for cost of post-damage clear-up and repair of anti-theft protections, as well as for rescue operations pertaining to the assets directly threatened with damage.

The agreement does not stipulate contractual penalties, neither does it include reservations as to any specific conditions or dates.

The agreement was concluded for a specified time – the insurance term starts at 00:00 on January 1st 2004 and ends at 24:00 on December 31st 2004. Within one month as from the date of compensation payment or delivery of notice of refusal to pay compensation, the insurer may terminate the agreement at two months' notice. The Issuer may terminate the agreement at one month's notice.

Should the agreement be terminated, the premium for the remaining part of the insurance period will be returned in the amount equal to the difference of the premium paid and the aggregate of the compensation paid and loss equalisation provision. The aggregate annual premium paid by the Issuer amounted to PLN 188,746.

The agreement should be deemed significant, given its subject, insurance limit and scope, covering practically the entire enterprise of the Issuer.

6. Material Agreements

This section describes the material agreements (within the meaning of Par. 2.1.65 of the Prospectus Regulation) concluded by the Issuer. Under the Regulation, a material agreement is one which, given its nature, parties to the agreement, subject of the agreement, its value, underlying risk or consequences to the Issuer's future operations, is material to the Issuer's business.

6.1. Supply Agreements

The Issuer cooperates with approx. 365 suppliers. The largest supplier accounts for not more than 5% of the Issuer's turnover (according to the data for the first nine months of 2004).

Agreements provide for various forms of cooperation. Certain agreements are sale agreements concluded for a specified time (typically one year) or an unspecified time (until a new agreement is concluded), others are known as trade agreements valid for one year or until a new agreement is concluded. Cooperation with suppliers is also regulated by trade terms and conditions binding for one year or for an unspecified time, cooperation agreements or even business plans for a given year. All these agreements provide for various discounts, bonuses or trade credits, which are of a general nature and are not based on any assumed contractual value. The value of purchases made under these agreements varies depending on the actual demand for goods which a given agreement concerns.

Approximately 250 agreements were concluded in the form suggested by the Issuer. The standard agreement proposed by the Issuer provides for long-term cooperation and offering the most attractive prices to the Issuer. The standard agreement also provides for numerous discounts or rebates, some of which are based on the turnover value or on reaching a specified turnover threshold. The standard agreement stipulates the fees payable to the Issuer for the provision of marketing services and the rules for advancing trade credit. Any issues which are not regulated under the agreement are governed by the "Terms and Conditions of Product Supplies" prepared by the Issuer.

The Terms and Conditions of Product Supplies stipulate the Issuer's requirements as to the product quality, security features, labels, packaging and marking, as well as the rules for supply organisation, return of goods, document circulation and pricing rules for suppliers. A supplier found in default of certain obligations is liable to contractual penalties.

None of the Issuer's suppliers accounts for more than 5% of supplies value, and the five largest suppliers represent approx. 16% of total supplies (based on the data for the first nine months of 2004). The twenty largest suppliers account for approx. 42% of total supplies.

Table V.11. Agreements with major suppliers (listed in the alphabetical order)

No.	Agreement	Supplier	Supplied goods	Term	Termination	Liability
1.	Agreement for 2004	Cadbury-Wedel Sp. z o.o. of Warsaw	confectionery	until December 31st 2004	expiry on December 31st 2004	no specific provisions, general liability under the Polish Civil Code
2.	Agreement for 2003 and 2004	Coca-Cola Beverages Polska Sp. z o.o. of Warsaw	beverages	until December 31st 2004	expiry on December 31st 2004	no specific provisions, general liability under the Polish Civil Code
3.	Sale agreement of January 1st 2004	Hoop SA ZPCHR of Warsaw	beverages	indefinite	three months' notice; in the event of default by the seller Eurocash may terminate the agreement at 14-days' notice	no specific provisions, general liability under the Polish Civil Code; the agreement provides also for contractual penalties payable by the seller in the event of e.g. delayed or incomplete supply, bar code missing from the goods

No.	Agreement	Supplier	Supplied goods	Term	Termination	Liability
4.	Wholesale agreement of June 17th 2002	Imperial Tobacco Polska SA (former Reemtsma Polska SA)	tobacco	indefinite	the parties may terminate the agreement for no cause at three months' notice; in the event of change in market conditions or operating strategy of either party, the agreement may be terminated at one month's notice; either party may terminate the agreement with immediate effect if the other is declared bankrupt, liquidated, enters into arrangement with its creditors, a receiver or administrator is appointed with respect to its assets, or in the event of a material breach of the agreement by the other party	no specific provisions, general liability under the Polish Civil Code
5.	Agreement of June 21st 2004	Kompania Piwowarska SA of Poznań	beer	indefinite	no specific provisions, termination in accordance with the Polish Civil Code	no specific provisions, general liability under the Polish Civil Code
6.	Agreement for 2004	Kraft Foods Polska Sp. z o.o. of Warsaw	coffee and confectionery	1 year	three months' notice	no specific provisions, general liability under the Polish Civil Code
7.	Sale agreement of May 24th 2004	Krajowa Spółka Cukrowa SA of Toruń	sugar	indefinite	three months' notice; in the event of breach by the seller Eurocash may terminate the agreement at 14-days' notice	no specific provisions, general liability under the Polish Civil Code; the agreement provides also for contractual penalties payable by the seller in the event of e.g. delayed or incomplete supply, bar code missing from the goods
8.	Agreement effective as from January 1st 2004	Maspex Wadowice Sp. z o.o. of Wadowice	juices, beverages, cappuccino coffee and tea	indefinite	no specific provisions, termination in accordance with the Polish Civil Code	no specific provisions, general liability under the Polish Civil Code;

No.	Agreement	Supplier	Supplied goods	Term	Termination	Liability
9.	Trade agreement for 2004	Masterfoods Polska Sp. z o.o. of Kożuszki Parcel	confectionery and pet food	until December 31st 2004	no specific provisions, termination in accordance with the Polish Civil Code	no specific provisions, general liability under the Polish Civil Code
10.	Sale agreement of January 1st 2004	MK Cafe & Tea SA of Sianów	tea and coffee	indefinite	three months' notice; in the event of breach by the seller Eurocash may terminate the agreement at 14-days' notice	no specific provisions, general liability under the Polish Civil Code; the agreement provides also for contractual penalties payable by the seller in the event of e.g. delayed or incomplete supply, bar code missing from the goods
11.	Sale agreement of January 1st 2004	Mleczarnia Olsztyn Sp. z o.o.	butter	indefinite	three months' notice; in the event of breach by the seller Eurocash may terminate the agreement at 14-days' notice	no specific provisions, general liability under the Polish Civil Code; the agreement provides also for contractual penalties payable by the seller in the event of e.g. delayed or incomplete supply, bar code missing from the goods
12.	Trade agreement for 2004	MTC Sp. z o.o. of Białystok	alcoholic beverages	indefinite	no specific provisions, termination in accordance with the Polish Civil Code	no specific provisions, general liability under the Polish Civil Code
13.	Agreement for 2003 and 2004	Nestle Polska SA of Warsaw	food (milk, child food, beverages, confectionery)	until December 31st 2004	as provided for in the agreement: expiry upon execution of a sales contract	no specific provisions, general liability under the Polish Civil Code
14.	Agreement for 2004 and 2005	Pepsi-Cola General Bottlers Poland Sp. z o.o. of Warsaw	beverages	until December 31st 2005	expiry on December 31st 2005	no specific provisions, general liability under the Polish Civil Code
15.	Sale agreement of January 1st 2004	Pfeifer & Langen Marketing Sp. z o.o. of Poznań	sugar	indefinite	three months' notice; in the event of breach by the seller Eurocash may terminate the agreement at 14-days' notice	no specific provisions, general liability under the Polish Civil Code; the agreement provides also for contractual penalties payable by the seller in the event of e.g. delayed or incomplete supply, bar code missing from the goods

No.	Agreement	Supplier	Supplied goods	Term	Termination	Liability
16.	2004 Business Plan of May 11th 2004	Procter & Gamble Operations Polska Sp. z o.o. of Warsaw	household and personal cosmetics, personal hygiene products	until December 31st 2004	no specific provisions, termination in accordance with the Polish Civil Code	no specific provisions, general liability under the Polish Civil Code
17.	Sale agreement of January 1st 2004	Sery ICC Pasłęk Sp. z o.o. of Pasłęk	cheese	indefinite	three months' notice; in the event of breach by the seller Eurocash may terminate the agreement at 14-days' notice	no specific provisions, general liability under the Polish Civil Code; the agreement provides also for contractual penalties payable by the seller in the event of e.g. delayed or incomplete supply, bar code missing from the goods
18.	Sale agreement of June 1st 2004	SM Mlekpol of Grajewo	dairy products	indefinite	three months' notice; in the event of breach by the seller Eurocash may terminate the agreement at 14-days' notice	no specific provisions, general liability under the Polish Civil Code; the agreement provides also for contractual penalties payable by the seller in the event of e.g. delayed or incomplete supply, bar code missing from the goods
19.	Agreement of November 21st 2001	Towarzystwo Gospodarcze Bewa Sp. z o.o.	*Aqua* water	indefinite	three months' notice; in the event of breach by the seller Eurocash may terminate the agreement at 14-days' notice	no specific provisions, general liability under the Polish Civil Code; the agreement provides also for contractual penalties payable by the seller in the event of e.g. delayed or incomplete supply, bar code missing from the goods

No.	Agreement	Supplier	Supplied goods	Term	Termination	Liability
20.	Wholesale agreement of October 2nd 2002	Philip Morris Polska SA of Kraków	tobacco products	indefinite	one month's notice; agreement may be terminated without notice if (1) the other party fails to discharge or duly discharge its obligations under the agreement, (2) arrangement, bankruptcy or liquidation are initiated with respect to the other party, (3) by Philip Morris Polska SA if the average value of monthly purchases by Eurocash falls below PLN 3,000,000; the agreement expires automatically if Eurocash makes no purchases for two consecutive months	no specific provisions, general liability under the Polish Civil Code
21.	Trade agreement effective as from March 15th 2003	Sobieski Dystrybucja Sp. z o.o. of Warsaw	alcoholic beverages	indefinite	expiry upon execution of a sales contract or in accordance with other written arrangements	no specific provisions, general liability under the Polish Civil Code
22.	Trade terms and conditions effective until December 31st 2005	Unilever Polska SA of Warsaw	fats, tea and food concentrates	until December 31st 2005	expiry of December 31st 2005	no specific provisions, general liability under the Polish Civil Code
23.	Confirmation of sale in October, November and December 2004	Wielkopolskie Zakłady Tłuszczowe ADM Szamotuły Sp. z o.o.	rape oil	three months	expiry on December 31st 2004	no specific provisions, general liability under the Polish Civil Code
24.	Sale agreement of January 1st 2003	Zakłady Tłuszczowe Kruszwica SA of Kruszwica	edible oils	indefinite	three months' notice	general liability under the Polish Civil Code; the agreement provides also for contractual penalties payable by the seller in the event of e.g. delayed or incomplete supply, bar code missing from the goods

No.	Agreement	Supplier	Supplied goods	Term	Termination	Liability
25.	Trade agreement effective as from January 1st 2004	Zott Polska Sp. z o.o. of Opole	yogurts	indefinite	three months' notice; in the event of breach by the seller Eurocash may terminate the agreement at 14-days' notice	no specific provisions, general liability under the Polish Civil Code; the agreement provides also for contractual penalties payable by the seller in the event of e.g. delayed or incomplete supply, bar code missing from the goods
26.	Agreement of June 1st 2004	Żywiec Key Account Services Sp. z o.o. of Warsaw	beer	indefinite	expiry upon execution of a trade agreement	no specific provisions, general liability under the Polish Civil Code

None of the above agreements is material within the meaning of the Prospectus Regulation. However, considered jointly, they are material to the Company's business.

It should be added that on September 14th 2004 the Issuer concluded with Jeronimo Martins Dystrybucja a cooperation agreement valid until the end of 2004. Under the agreement, Jeronimo Martins Dystrybucja agreed to make every effort, at a reasonable request of the Issuer, to maintain the validity and unchanged terms of the supply agreements originally executed by Jeronimo Martins Dystrybucja and taken over the by the Issuer in connection with the acquisition of the enterprise (including the issuance of a comfort letter at a supplier's request), as well as to assist the Issuer in its disputes with any supplier which on the date of the relevant supply agreement supplied both Jeronimo Martins Dystrybucja and the Issuer.

6.2. Agreements for the Supply of Products Sold under the Issuer's Own Brands

Special attention should be given to the agreements for supply of products which are then sold exclusively at the Issuer's warehouse stores and under trademarks owned by the Issuer.

The Issuer has concluded 72 such agreements and they represented 9.22% of the Issuer's total turnover in the first nine months of 2004.

The 15 agreements listed below are the most important of those 72. In the first nine months of 2004, the sales of products supplied under these 15 agreements represented 9.22% of the Issuer's total sales. The business partners (listed in the alphabetical order) and goods supplied under these agreements are: Boss Browar Witnica SA (agreement of June 5th 2003, for supply of beer), Browar Łomża Sp. z o.o. (agreement of August 8th 2003, for supply of the Fox and Goldberg beers), CHEMO Sp. z o.o. of Dobrzyce (agreement of October 27th 2003, for supply of chemical products), Fabryka Papieru Piechowice SA (agreement of December 9th 2002, for supply of toilet paper), HOOP SA of Warsaw (agreement of October 3rd 2001, for supply of the Volcano beverages), OSM WART-MILK of Sieradz (agreement of November 20th 2004, for supply of milk), Paczkowskie Zakłady Chemii Gospodarczej Pollena Sp. z o.o. (agreement of October 22nd 2001, for supply of washing powder), P.P.H. SULMA Sp. z o.o. of Sulechów (agreement of June 10th 2002, for supply of pastas), P.P.H.U. MILLANO Sp. z o.o. of Przeźmierowo (agreement of June 5th 2003, for supply of chocolate), Przedsiębiorstwo Zbożowo-Młynarskie PZZ of Bolesławiec (agreement of November 5th 2002, for supply of flour and farina), Royal Brinkers Polska Sp. z o.o. of Poznań (agreement of January 10th 2002, for supply of margarine), Śląska Wytwórnia Wódek Gatunkowych Polmos SA of Bielsko-Biała (agreement of October 15th 2003, for supply of vodkas), Towarzystwo Gospodarcze Bewa Sp. z o.o. of Kleszczów (agreement of November 21st 2001, for supply of the Aqua water), Wielkopolskie Zakłady Tłuszczowe ADM Szamotuły (for supply of rape oil), Zakład Przetwórstwa Owocowo-Warzywnego Dawtona of Błonie (agreement of November 16th 2001, for supply of tomato concentrate and juice, as well as green peas).

All the above agreements were concluded in the standard form prepared by the Company. The agreements provide for Issuer's exclusive rights to the supplies of specified products, as well as exclusive economic copyright to graphic designs, logos and trademarks. The agreements also stipulate terms and conditions for pricing, trade credit, labels and packaging, as well as quality standards and control. The products supplied should be accompanied by all certificates of origin, other certificates and documents required under Polish law and confirming product quality and fitness as food. All other documents required by the State Sanitary Inspection Authority and State Trade Inspection Authority should also be delivered. The supplier is responsible for the quality of products supplied and for any harm to a consumer or any third party which may result from eating the products. The majority of suppliers hold product liability insurance policies.

In the period of first nine months of 2004, the sales of products supplied under these 15 agreements represented 67% of the Issuer's total sales of products supplied under all the 76 agreements covering products sold under the Issuer's own brands. The share of none of the 15 suppliers listed above in the Issuer's sales exceeded 1.5% in the period.

None of these agreements, considered separately, meets the criterion of a material agreement. On the other hand, the sale of products under private brands is crucial for the Company's image on the market, among both suppliers and customers. For these reasons these agreements are described in this section.

6.3. Material Insurance Agreements

6.3.1. Terms and Conditions of Insurance Concerning Liability Claims against the Members of Corporate Bodies of an Incorporated Company

The Issuer has acceded to the terms and conditions of insurance of damage caused by liability claims against the members of corporate bodies of an incorporated company, approved under a resolution of the Management Board of AIG Polska Towarzystwo Ubezpieczeń SA dated December 23rd 2003 and effective as from January 1st 2004. Within the meaning of the Terms and Conditions of Insurance, a member of a corporate body is a natural person who holds, held or will hold, under the Company's express written instruction or with the Company's written consent, a post of a member of the management board or supervisory board, commercial proxy or another equivalent post in the corporate bodies of another entity. Under the Terms and Conditions of Insurance, the insurer covers damage incurred by each of the insured persons (members of the Issuer's corporate bodies) as a result of a claim lodged against the insured for the first time within the insurance period or within an additional period.

The insurance policy provides for a total sum insured of PLN 24,000,000.00. The full annual premium amounted to PLN 98,850. The insurance term starts January 1st 2004 and ends December 31st 2004.

6.3.2. Agreement with Sopockie Towarzystwo Ubezpieczeń Ergo Hestia SA

Apart from the agreement for all-risk insurance of assets and loss of earnings insurance discussed as a significant agreement in Section 5 of this Chapter V, the Issuer concluded with Sopockie Towarzystwo Ubezpieczeń Ergo Hestia SA a TPL insurance agreement covering "liability under business activities and use of assets, with product liability excluded". The basic coverage was extended to include damage to real property owned by third parties and used by the Issuer, damage to property under the insuring party's care, supervision or control, damage caused by environmental pollution, damage to processed, cleaned or repaired property, damage to vehicles which occurs during reloading, damage incurred by a manufacturer of a final product because of defects in components or subassemblies delivered by the insuring party, damage inflicted by slow-moving or specialist vehicles and pure financial losses. The agreement provides for deductible franchise and additional exclusions under the insurance against financial losses. The total sum insured amounts to PLN 40,000,000 and the annual premium amounted to PLN 50,767.

6.3.3. Agreement with PZU SA

On March 11th 2004, the Issuer concluded with Powszechny Zakład Ubezpieczeń SA an agreement for insurance of the Issuer's vehicle fleet. Under this agreement, the vehicles which the Issuer currently owns or will purchase in the future are covered with domestic automobile liability insurance (within the territory of Poland), international automobile liability insurance (within the territory of the countries specified in the agreement), domestic and international automobile all-loss insurance, domestic and international automobile accident insurance and the Assistance Polska insurance (within the territory of Poland). The agreement was concluded for one year. The aggregate sum insured under all-loss automobile insurance is PLN 581,479.55. The sum insured under civil liability insurance is an equivalent of EUR 350,000 per injured in the case of personal injury, and EUR 200,000 per occurrence in the case of damage to property. The sum insured under accident insurance is PLN 15,000 per person. The total annual premium paid by the Issuer amounted to PLN 60,476.

6.4. Agreement with Hewlett-Packard Polska Sp. z o.o.

The agreements with Hewlett-Packard Polska Sp. z o.o. are considered significant due to their subject and the significance of the IT system for the management of the Issuer's enterprise.

6.4.1. Lease Agreement

On March 4th 2004 the Issuer and Hewlett-Packard Polska Sp. z o.o. of Warsaw ("HP") entered into an agreement for the lease of software and hardware (complete equipment for the Issuer's IT system). The system is used for monitoring the Issuer's activities and the management of its enterprise.

The Issuer is obliged to keep the leased property in a good condition, normal wear and tear excepted, and to ensure that it is operated only by qualified and trained staff. The Issuer may not introduce any changes or enhancements to the leased property without HP's consent. The leased property may be moved to another site subject to HP's exclusive consent and solely at the Issuer's cost and risk.

HP granted a guarantee for the software and hardware which will be effective for a period of 60 months from the delivery date, and agreed to provide technical support and to be on call to provide maintenance and repair services 24 hours a day for seven days a week.

The agreement was made for a limited duration term expiring on March 31st 2009 or on the date of full discharge of the Issuer's obligations under the agreement; in particular payment of all the lease payments. The agreement provides for 60 lease payments (PLN 85,783.40 each), payable monthly starting from April 1st 2004.

The agreement may not be terminated by the Issuer. HP may terminate the agreement by a written notice with immediate effect in the events specified in the agreement (for instance, if the Issuer is in breach of the terms and conditions of the agreement, or if the Issuer is a party to a merger or other equity amalgamation changing the nature of its business). If HP terminates the lease agreement, it may demand that the Issuer makes all the overdue lease payments along with accrued interest as well as all the lease payments payable until the expiry of the original term of the agreement. HP is also entitled to claim monetary compensation for the impairment of value of the leased property amounting to 2% of its original value, and to be reimbursed for any reasonable expenses incurred.

After the expiry of the lease agreement, the Issuer may, at its own discretion, buy the leased property at its market value, return it or extend the term of the lease agreement. If the Issuer fails to select any of the listed options, HP may demand that the Issuer makes lease payments equal to the value of the last lease payment during the term of the agreement.

6.4.2. Agreement Concerning Migration of Applications and Management of Applications and Hardware

The agreement concerning migration of applications and management of hardware and applications between Hewlett-Packard Polska Sp. z o.o. of Warsaw ("HP") and the Issuer was concluded on June 25th 2004. The agreement concerns provision of migration services relating to specific software applications (in particular the "mySAP Business Suite" system, "ORACLE Database" and the Data Warehouse system) from Jeronimo Martins Dystrybucja's environment to the Issuer's new IT environment, and provision of services related to the management of software applications and hardware infrastructure on an outsourcing basis, as well as the updating of the mySAP Business Suite system to the 4.7 version. At the Issuer's request HP is also required to provide other software modification services. The agreement stipulates the annual volume of services for which the Issuer is required to pay regardless of whether they were actually provided or not.

The agreement defines one-off payments for the migration and update of the SAP system (in the amount of PLN 2,460,000 and PLN 1,251,000 respectively), monthly payments for outsourcing services (PLN 263,750), and an annual payment for on-demand services (144 man-days for PLN 518,400, and at PLN 3,600 per man-day upon exceeding this amount).

The stipulates a range of contractual penalties payable by HP in connection with faulty operation of the Issuer's IT system (not applicable if HP bears no responsibility for such operation). The penalties will not apply after December 31st 2005, and their total amount is limited to PLN 2,000,000. The agreement does not include any provisions as compensation in excess of the penalties.

To the extent permitted by law, joint liability of either party for non-performance or undue performance of the contractual obligations, regardless of the basis of the liability, is limited to PLN 4,000,000. Neither of the is liable for lost profits of the other party. The parties assume responsibility for lost data and the cost of recovering such data only if the loss results from gross negligence or wilful misconduct.

The agreement was made for five years starting from the later of August 1st 2004 or the date of launching the "mySAP Business Suite". It may be unilaterally extended by Eurocash for another year, and may be terminated by either of the parties subject to the terms and conditions set forth therein. The agreement includes comprehensive regulations regarding provision of the services in the notice period and after the expiry of the agreement (completion support services) to ensure continuous operation of the Issuer's IT system.

6.5. Agreements Concerning "mySAP Business Suite" software and "ORACLE Database"

The agreements concerning rights to "mySAP Business Suite" software and "ORACLE Database" are material given the importance of this system for the Issuer's business.

6.5.1 Sub-Licence Agreement

The Issuer entered into a Sub-Licence Agreement with Politra concerning the use of the "mySAP Business Suite" software for an unspecified time. The agreement entered into force on January 1st 2004 and effectively granted the Issuer a non-exclusive licence. The right to grant such a sub-licence was stipulated in a licence agreement for the use of the same software concluded between Kipi and Politra under an authorisation provided for in the SAP Agreement. The Sub-Licence Agreement was extended under an annex of June 30th 2004, whereby Politra granted a licence to use Oracle Database.

The Sub-Licence Agreement was terminated on October 18th 2004.

6.5.2 SAP Agreement

On October 18th 2004 the Issuer, Kipi and SAP concluded an agreement whereby the Issuer's acquired all of Kipi's rights and obligations under the SAP Agreement. As from that date, the Issuer has used the "mySAP Business Suite" software and the "ORACLE Database" under a licence granted to the Issuer directly by SAP.

The "mySAP Business Suite" software is a package of IT solutions and an integration and software applications platform. It supports relations with customers, suppliers, logistics partners, financial services providers and employees, which renders the "mySAP Business Suite" software material to the Issuer's business.

On June 30th 2004, on the basis of the annex to the SAP Agreement, SAP granted the Issuer a licence for the use of the "ORACLE Database", which supports effective storage of data pertaining to the transactions concluded by the Issuer and the use of this data by the "mySAP Business Suite" software.

The Issuer is obliged to make a one-off payment for the use of the software in the amount of PLN 2,491,444 and annual payments for maintenance services in the amount of PLN 423,546.

SAP is responsible for the maintenance of the database, as well as for related support or maintenance services. SAP's liability to damages is limited under the agreement.

The agreement was concluded for an unspecified time and may be terminated on the terms stipulated therein.

6.6. Lease and Sub-Lease Agreements for Discounts Cash & Carry Locations

The Issuer conducts its core business through 83 Discounts Cash & Carry countrywide. At 65 outlets the business is conducted directly by the Issuer, while 18 discounts are operated by entities with whom the Issuer entered into agency agreements. The total amount of lease rent payments for the 12 months ended September 30th 2004 was PLN 16,163,277.73.

Before lease and sub-lease agreements are concluded, the Issuer examines the lessor's title to the property and, if the agreement is to be concluded with a person other than the property's perpetual usufructuary or owner, the Issuer checks whether the lessor has obtained approval to make the property available for use by the Issuer.

The Issuer is a party to 67 agreements for lease and sub-lease of buildings, premises and warehousing space under which it may conduct wholesale activities at the leased properties. In a majority of cases the terms and conditions of the lease and sub-lease agreements are similar. In principle, the agreements are made for ten years and provide for their termination by the lessor if the lessee uses the leased property for a purpose other than specified in the agreement, generally defined as trading in grocery and tobacco products, alcohol, household chemicals and daily-use goods. In all the cases the Polish Health and Sanitation Department (Sanepid) issued a positive opinion confirming the suitability of the leased property for the business conducted by the Issuer. Under a majority of the agreements, the agreed lease rents may be increased if the maintenance cost of the property increases. Most of the agreements and annexes thereto have been signed with officially certified dates.

56 agreements were concluded by Jeronimo Martins Dystrybucja. The lessee's rights and obligations under these agreements were effectively assigned to the Issuer on October 1st 2002 (in three cases, the assignment was effected on December 1st 2002, January 1st 2003 and June 15th 2004, respectively). The remaining 11 lease and sub-lease agreements were concluded by the Issuer.

A total of 17 of the concluded agreements concern lease and sub-lease of retail spaces of 100 m^2 each, located at warehouse stores, including the right to use an additional warehousing space of 100 m^2 (two exceptions: in one case the retail space is 30 m^2 and the warehousing space – 170 m^2, while in the other – the leased premises have an area of 200 m^2). The lessors include agents operating Discounts Cash & Carry, including Jeronimo Martins Dystrybucja in the case of four agreements. A majority of the agreements have been made for unlimited duration, with either of the parties having the right to terminate the agreement at one month's notice. The Issuer may use the leased and sub-leased space for wholesale of alcohol and alcoholic beverages. The lease rents are paid on a monthly basis and are generally composed of a fixed and a variable part depending on the net alcohol sales revenue in a given month, attributable to the leased space.

In Poznań the Company leases: an office building at ul. Wołczyńska 18, with a surface area of 2,012 m^2, housing the head office of Poznań, and warehouses with an area of 17,300 m^2. The premises are leased from Jeronimo Martins Dystrybucja under an agreement of March 1st 2003, concluded for an unspecified period and terminable at a twelve months' notice. Pursuant to the agreement of September 14th 2004 between Jeronimo Martins Dystrybucja and the Issuer, JMD cannot terminate the agreement before December 31st 2005. This restriction does not apply to the Issuer.

A letter of intent was signed by the Issuer regarding the future offices for the Company's Management Board and location of a new distribution centre.

None of the agreements referred to above is a material agreement (within the meaning of the Prospectus Regulation) when considered individually. However, due to the fact that these agreements jointly enable the Issuer to conduct its core business, they are considered material to the Issuer.

6.7. Agency Agreements Relating to the Operations of Discounts Cash & Carry

The Issuer is a party to 14 agency agreements, out of which 13 agreements have been concluded with individual agents and relate to 13 Discounts Cash & Carry, and one agreement, signed with Jeronimo Martins Dystrybucja, regulates the area of agency activities at four warehouse stores. The total value of commission in the twelve months ended September 30th 2004 amounted to PLN 9,324,558.31.

The 13 agency agreements with individual agents, concluded on similar terms and conditions, authorise the respective agents to conduct trading activities at a given Discount Cash & Carry, consisting in the sale of goods which are owned by the Issuer and delivered to the agent for sale, on behalf of and for the Issuer. Subject to the limitations set forth in the agreements, the Issuer granted the agents its powers of attorney in this area. The Issuer fits the Discounts Cash & Carry as set forth in the individual agency agreements. The costs of refurbishments, repairs and maintenance services of the fittings are borne by the agent.

The agent is not permitted to engage in trading activities involving goods owned by entities other than the Issuer, with few exceptions provided for in individual agreements. The agent is obliged to sell goods of all industry categories sold by the Issuer.

The agents are remunerated on a commission basis. The commission comprises basic commission and *del credere* commission referred to in Art. 761^7 Par. 2 of the Polish Civil Code (which depends on the repayment of trade credit), payable on confirmation that a customer using trade credit has made the payment. The agent is responsible for obtaining payments from its customers to whom it extended trade credit. The monthly commission is computed based on the net value of goods sold in the calendar month for which the commission is due, as evidenced in the sales documents issued in that month at the Discounts Cash & Carry operated by the agent. According to the terms of some of the agency agreements, the agent receives an additional commission if it exceeds the quarterly sales target set by the Issuer.

The agreements were concluded for an unspecified time. Any of the agreements may be terminated by each party at a three months' notice. The Issuer or the agent may terminate the agreement with immediate effect if the rules of settlements between the parties set forth therein are not complied with or in the event of one party to the agreement acting to the detriment of the other.

If the agent discontinues its trading activities at an existing Discount Cash & Carry or if commits a clear breach of the terms of the agreement, it is obliged to pay the Issuer contractual penalties of a specified amount.

The security which guarantees proper performance of 13 agency agreements (performance bond) is a blank promissory note. The issuers of the blank promissory notes represented in the attached promissory note declarations that in the event of their non-performance or undue performance of their obligations, the holder of the promissory note (the Issuer) would be entitled to fill out the promissory note by entering the amount of the incurred damage, plus statutory interest.

In the case of five agency agreements, the performance bonds are real property lease agreements with the real property owners or perpetual usufructuaries, which were concluded under the condition precedent that the Issuer makes a representation that if it incurs any loss as a result of the non-performance or undue performance of the agreement by the agent, a conditional lease agreement should come into force. The conditional lease agreements were concluded for the periods of ten years.

Under six of the agency agreements, the agent is obliged to provide performance bonds in the form of a security mortgage for up to PLN 1,000,000. The mortgages have been created for the benefit of Jeronimo Martins Dystrybucja.

The Issuer takes steps to procure that the performance bonds for the agency agreements previously established or due to be established in favour of Jeronimo Martins Dystrybucja in the form of promissory notes or mortgages be established in favour of the Issuer.

14 of the above agency agreements were concluded directly by the Issuer. In one instance, the agreement was signed with the agent by Jeronimo Martins Dystrybucja, with the rights and obligations of the principal subsequently transferred, upon the agent's consent, to the Issuer as of October 1st 2002.

On September 25th 2002, the Issuer also entered into an agency agreement with Jeronimo Martins Dystrybucja, referred to as "the agent" in the agreement, under which it commissioned the agent to conduct, on behalf of and for the Issuer, activities involving sales of goods offered at the chain of Discounts Cash & Carry operating under the trade name *Eurocash Cash & Carry*. The agreement was amended by virtue of the annexes dated May 24th and May 31st 2004. Under the agreement, the agent carries out agency activities at four Discounts Cash & Carry, to which it holds legal title pursuant to its representation provided for in the agreement. The agent is obliged to accept for sale all goods, in the quantities determined by the Company, offered by the Issuer in the chain of Discounts Cash & Carry. The agent covers all costs and expenses related to the operation of the facilities, in particular rent, charges for electricity, gas, water and sewage, telephones and security, which are then reimbursed to the agent by the Issuer. The agent is entitled to remuneration equal to 5% of the net costs and expenses incurred by it and which are reimbursable by the Issuer. Until September 30th 2004 the Issuer paid JMD PLN 296,356.09 as remuneration payable under the agency agreement.

The Issuer sells alcohol at all of its 18 agency Discounts Cash & Carry.

6.8. Trade Cooperation Agreements Related to the Chain of "abc" Shops

As at September 17th 2004, the Issuer was a party to 1,820 trade cooperation (franchise) agreements. The agreements are executed in accordance with a standardised form.

Under a trade cooperation agreement, the Issuer grants the other party to the agreement, referred to as "the partner", the right to use trademarks and trade secrets of the Issuer for the purpose of conducting business activities specified in the agreement at the outlet designated therein and for the term of the agreement. The partner agrees to operate a retail outlet, a grocery or grocery/household chemical shop, and to provide its customers with the highest possible level of service. The partner is authorised and obliged to use the elements facilitating visual identification of the "abc" chain, as well as the shop equipment and fittings leased from the Issuer. To create the image of the "abc" chain, the Issuer conducts marketing activities with a view to promoting the partner's shop, including the preparation and distribution of advertising booklets offered in the shops at an attractive price, and training programmes for the partners, which, depending on the type of training, are free or paid. The marketing fee is PLN 200. The partner agrees to refrain from disclosing any information regarding their cooperation and promotional activities to any third party without the Issuer's written consent. The agreement stipulates that the partner will attempt to purchase goods from the entire product range offered by Discounts Cash & Carry. The partner further agrees to purchase from Discounts Cash & Carry the goods covered by promotional campaigns conducted by the Issuer in the "abc" chain. The partner can purchase goods not included in the Discount Cash & Carry product range from the suppliers who have prepared an attractive product offering under cooperation agreements concluded with the Issuer. The Issuer guarantees the partner preferential terms of cooperation with the chain of Discounts Cash & Carry based on a system of discounts. The partner is obliged to pay the Issuer a monthly marketing fee.

Trade cooperation agreements are concluded for an unspecified time and can be terminated by either party at one month's notice.

None of the trade cooperation agreements, when considered individually, is a material agreement. However, performance of these agreements generates demand for the goods offered by the Issuer and thus enables it to carry out its core business activity. Therefore, the trade cooperation agreements considered jointly are material to the Issuer's business.

7. Agreements Material to the Issuer and Its Business, Involving the Issuer's Shareholders and Related Undertakings

As at the date this Prospectus was updated, the Issuer had no knowledge of any agreement to which its Shareholder or its related undertaking of the Issuer would be a party, and which could be material to the Issuer and its business.

8. Transactions with Related Undertakings whose Value Exceeds EUR 500,000

This section provides a description of the transaction entered into by the Issuer and Politra, which directly holds 127,741,000 Series A Shares, representing 99.9992% of the Issuer's share capital, involving a transfer of Politra's know-how related to the operation of wholesale outlets.

In March 2003, Eurocash (as the licensee) and Politra (as the licensor) entered into an agreement whereby Politra granted to Eurocash a non-transferable, indivisible and non-exclusive licence to use its know-how to conduct retail operations in the territory of Poland (and other countries, as agreed by the parties in writing). The know-how comprised information concerning knowledge and experience in the area of the wholesale trade conducted by the Issuer, including data and advisory services regarding strategic and general management, development of business, human resources, accounting, financial analyses, internal audit, contacts with suppliers and customers, cost control, market analysis and price calculation.

Under the agreement, Eurocash was obliged to pay, on a quarterly basis, a licence fee representing 0.7% of net sales revenues earned by Eurocash. In aggregate, Eurocash paid PLN 15,666,221.05 of licence fees.

On August 18th 2004, Eurocash and Politra entered into another agreement, under which they mutually agreed to terminate the aforementioned licence agreement with effect from August 31st 2004 and concurrently sell, as of the same date, the know-how owned by Politra to Eurocash. The consideration under the agreement paid by Politra on September 10th 2004 amounted to EUR 11,796,418 and was financed with own funds. Its value on the payment date was PLN 51,932,004.81. The consideration was determined based on the value of future liabilities estimated at PLN 52,403.30.

9. Licences and Permits

9.1. Licences for Sale of Alcoholic Beverages

Wholesale and retail sale of alcoholic beverages is a licensed activity. The Issuer conducts wholesale of alcoholic beverages based on three licences, at all of its 83 Discounts Cash & Carry, as well as at an outlet located at the Issuer's registered office. Retail sale of alcoholic beverages is carried out at 21 Discounts Cash & Carry under 52 licences. Each Discount Cash & Carry, under a relevant licence for wholesale or retail sale, sells alcoholic beverages with alcohol content of a) up to 4.5% and beer, b) from 4.5% to 18% (with the exception of beer), c) over 18%. Two of the licences for wholesale of alcoholic beverages will expire on November 17th 2006; the third one – on June 14th 2005.

9.2. Environmental Permits

The environmental permits required under law for the scope of the Issuer's business activities are described in Section 16 of this Chapter V.

10. Patents, Licences and Trademarks

10.1. Patents

The Issuer holds no patents.

10.2. Licences

An important asset in the Issuer's business is its Integrated IT System. The "mySAP Business Suite" software, together with the "ORACLE Database", is one of the key components of the System. The Issuer used this software under the Sub-Licence Agreement until October 18th 2004 and has been using it under a SAP Agreement since that date. For a description of the agreements see Section 6.5 of this Chapter V.

Another component of the System, the Data Warehouse, provides quick and precise information on the conducted business activities. The Data Warehouse was developed based on the Oracle Database Enterprise Edition software, used by the Issuer under a licence granted under an agreement with Oracle Polska.

In order to ensure the appropriate operation of the whole IT system, whose most important components were described above, the Issuer concluded with Hewlett-Packard Polska Sp. z o.o. (HP) an agreement concerning migration of applications and management of applications and hardware (HP No. 3713/S/CON/04). Under the agreement, the Issuer outsources from HP management of computer applications and hardware infrastructure, as well as updating services with respect to the SAP system (for a description of these services see Section 6.4.2 of this Chapter V. The other computer programs used by the Issuer are not material to its business.

10.2.1. Licence for the Use of the mySAP Business Suite *Software and the ORACLE Database*

Under the SAP Agreement, the Issuer has obtained, for an unspecified time, a non-exclusive licence for the use of the "mySAP Business Suite" software (the licence also provides for the Issuer's development of associated programs with use of the specialist ABAP language, licensed to the Issuer by SAP), as well as a licence for the use of the "ORACLE Database". SAP is obliged to provide maintenance services connected with the Issuer's use of the "mySAP Business Suite" software and the "ORACLE Database" (including access to new releases of the software). At the Issuer's request and for additional remuneration, SAP may extend the "mySAP Business Suite" software and provide the Early-Watch preventive services, designed to prevent problems which might occur in the course of the commercial use of the software.

10.2.2. Licence Granted under the Agreement Concerning Migration of Applications and Management of Applications and Hardware (HP No. 3713/S/CON/04)

Under the agreement concerning migration of applications and management of applications and hardware (HP No. 3713/S/CON/04), described in Section 6.4.2 of this Chapter V, the Issuer is to obtain a non-exclusive licence for the use of assets to which the licensor (SAP) or a third party holds intellectual property rights, if the licensor uses such assets in the performance of the agreement. The licence will be granted forthwith after the Issuer's receives these assets. The licence would not be material to the Issuer's business. No such licence has been granted to the Issuer yet. The agreement concerning migration of applications and management of applications and hardware (HP No. 3713/S/CON/04) stipulates that HP, under the terms specified in the agreement, will transfer onto the Issuer a 50% share in the intellectual property rights to such assets as: works, technical designs, migration plans, software, documentation and inventive designs, as developed or modified by HP. The transfer will be effected upon HP's delivery of such assets to the Issuer. The Issuer will be fully entitled to use such assets. No share in the intellectual property rights to such assets has been transferred onto the Issuer yet.

10.2.3. Licences to Programs Which Are not Material to the Issuer's Business

The Issuer holds 2,211 licences for the use of computer programs, which, considered separately, are not material to the Issuer's business. The table below sets forth the programs used by the Issuer.

No.	Program name	Number of licences
1.	Microsoft Windows XP Pro	350
2.	Microsoft Office Pro	350
3.	Węzeł Centralny WISH/CTD/Rozległy System Transmisji Danych/ [WISH Central Node/CTD/Wide Data Transmission System/]	1
4.	Klient WISH/ATD/Rozległy System Transmisji Danych/ [WISH Client/ATD/Wide Data Transmission System/]	85
5.	Lotus Notes Domino Enterprise	2
6.	Lotus Notes With Collaboration	250
7.	Lotus Notes Domino Designer	5
8.	GM Ferrodo Cash & Carry	83
9.	WMS Ferrodo	2
10.	Oracle Database Standard Edition/baza danych dla WMS/ [WMS supporting database]	90
11.	Mediator	1
12.	Data Spade Marcator	1
13.	Redwood	1
14.	Anywhere 10.5 Base Lic	11
15.	Anywhere 10.5 Host Up Lic	80
16.	Anywhere 10.5 LAN Host Lic	10
17.	System Kadrowo-Płacowy – Centrala [Personnel and Payroll System –	1

No.	Program name	Number of licences
	Headquarters]	
18.	Oddział – System Kadrowo-Płacowy [Personnel and Payroll System – Branch]	83
19.	NetWare 4.2 10 Com	2
20.	NetWare Activ KEY 4.1/25U	2
21.	NetWare/intraNetWare 25U	21
22.	NetWare intraWare	1
23.	NetWare NetWare 4.2	6
24.	NetWare NetWare 4.2 10 Com	13
25.	NetWare-Novell 4.1 25 User	22
26.	NetWare 4.1/50 US	2
27.	NetWare NW 4.2 10 Com UPG	16
28.	NetWare v.6.5	200
29.	Biuletyn Prawniczy LEX [Legal Bulletin]	5
30.	AntyVirusEdition	350

As at the date this Prospectus was updated, the Issuer was a party to no licence agreements other than listed in Sections 10.2.1–10.2.3 of this Chapter V.

10.3. Trademarks

As at the date this Prospectus was updated, the Issuer held two registered trademarks material to its business. The Issuer has a full right to the exclusive use of the following trademarks, in the whole territory of the Poland, in order to earn income or for professional purposes:

- "EUROCASH" trademark (with the protection period expiring on April 27th 2005); and
- "abc" trademark (with the protection period expiring on April 2nd 2008).

These trademarks were acquired along with the organised part of the enterprise and delivered for use by Eurocash Sp. z o.o. on September 30th 2002 under a take-over protocol concerning non-cash contribution, prepared in connection with Jeronimo Martins Dystrybucja's acquisition of 116,235 shares in the increased share capital of Eurocash. The Eurocash trademark was valued at PLN 27,386,972.30, and the "abc" trademark at PLN 17,216,759.

Prior to the contribution of an organised part of the Eurocash enterprise to Eurocash Sp. z o.o. (described in Section 7 of Chapter IV), nine proceedings for the registration of trademarks currently used by the Issuer were instituted at the Patent Office based on applications filed by Jeronimo Martins Dystrybucja. Under the agreements with Jeronimo Martins Dystrybucja of September 14th 2004, the Issuer acquired the rights specified in the applications for the registration of these trademarks. If the Patent Office registers the trademarks, the Issuer will hold the registration rights. Although these trademarks relate to products sold at the Discounts Cash & Carry, they are not material to the Issuer's business.

The Issuer also holds full economic copyright to a few dozen graphic designs of packaging for products sold at the Issuer's warehouse stores. The Issuer acquired economic copyright to certain graphic designs of product packaging under agreements with the manufacturers of products sold at the Discounts Cash & Carry.

11. Research & Development and Implementation Work

The Issuer does not conduct any research and development or implementation work.

12. Domestic and Foreign Investment Projects

The IT system migration project described in Section 6.4.2 of this Chapter V and the purchase of know-how from Politra described in Section 8 of this Chapter V may be considered investments material to the Issuer's business.

The IT system migration project commenced in 2003, and the related expenditure made in 2003 amounted to PLN 268,161.40. In 2004, IT system migration has been completed. The expenditure made this year amounted to PLN 12,674 thousand.

The purchase of know-how took place in August 2004, and its cost was equal to EUR 11,794,418.

The Issuer's other Polish investment projects do not play an important role in its activities and mainly consist in current repairs and refurbishing of its Discounts Cash & Carry and the purchase of furniture and equipment. The expenditure on the abovementioned investment projects at Discounts Cash & Carry does not exceed in any case the amount of PLN 300,000. The investments have been made in 2004. The investments are financed with own funds, only the computer hardware is used a lease agreement.

The issuer does not participate in joint ventures, partnerships, foundations or associations, and occasionally incurs minor expenses on sponsorship and charity.

The Issuer does not make any foreign investments.

13. Credit, Loan, Surety, and Guarantee Agreements and Other Liabilities

The Issuer has not entered into any credit, loan or surety agreements. The Issuer is a party to the following four bank guarantee agreements:

1) Agreement of March 19th 2004 with BRE Bank SA of Warsaw, in respect of the guarantee issued to Hewlett-Packard Sp. z o.o. of Warsaw, in connection with the lease agreement discussed in Section 9.3 of this Chapter V. The guarantee is valid for five years, until April 8th 2009. It is secured with a security deposit paid by the Issuer, which as at the date this Prospectus was updated amounted to PLN 4,688,409.48.

2) Agreement of September 6th 2004 with BRE Bank SA of Warsaw, in respect of the guarantee issued to the Polish Ministry of State Treasury in connection with the consent to organise a promotion lottery as part of the Company's marketing activities. The lotteries are aimed at increasing the frequency of purchases. At the time of updating this Prospectus, Eurocash was carrying out a promotion entitled "Weekly Purchases mean Great Prizes" ("Tygodniowe kupowanie, wielkie wygrywanie"), with respect to coffee, chocolate and household chemicals. Customers could win one of 100,000 minor prizes immediately at the time pf purchase or one of ten cars if their receipt was drawn after the closing of the promotion. The precondition for granting the consent was the issue of a guarantee in the amount equal to the value of prizes that could be won during the promotion. The guarantee is valid until January 22nd 2005. It is secured with a cash security deposit of PLN 700,000 (50%) and a blank promissory note (50%).

3) Agreement of October 22nd with BRE Bank SA of Warsaw, on a guarantee for the Issuer's payment to Zakłady Przemysłu Tłuszczowego SA of Warsaw of the price for the goods supplied. The guarantee is valid until February 4th 2005. It is secured with a cash security deposit of PLN 350,000 (50%) and a blank promissory note (50%).

4) Agreement of May 30th 2003 with Bank Handlowy w Warszawie SA of Warsaw, on a guarantee for the Issuer's payment of the customs duty resulting from the temporary admission of goods on June 6th 2003. The beneficiary of the guarantee is the Customs Chamber of Poznań. The guarantee is valid until June 5th 2005. It is secured with a cash security deposit of PLN 9,450.00.

14. Real Estate

Until December 5th 2089 the Company is a perpetual usufructuary of one property, situated in Pińczów, at ul. Przemysłowa 10, owned by the State Treasury. The property is the location of the Issuer's distribution centre. It is entered into the Land and Mortgage Register maintained by the District Court of Pińczów, under entry No. KW 24465. The property consists of lots No. 25/1, 25/2, 25/4, 25/7, and 25/8, with a total surface area of 3.5809 ha. As at the date this Prospectus was updated, the property was not encumbered. Moreover, the Issuer is the owner of the buildings situated on the property (warehouse buildings and an administration and social building). The Company was granted perpetual usufruct of this property as part of a contribution in kind of March 17th 2003.

The other properties on which the Company conducts its business activities are used on the basis of lease agreements. For a description of these agreements see Section 6.6 of this Chapter V.

15. Pending Legal Proceedings Involving the Issuer

As at the date this Prospectus was updated, the Issuer was a party to six court proceedings, all of which concerned payment for goods (summary proceedings, proceedings by writ of payment or binding advice proceedings), with the disputed amounts exceeding PLN 10,000. The total amount claimed by the Issuer in these proceedings (net of interest and litigation costs) is PLN 128,696.10.

The Issuer is a party to 15 court proceedings, all of which concern payment for goods (summary proceedings, proceedings by writ of payment or binding advice proceedings), with the disputed amounts of up to PLN 10,000. The total amount claimed by the Issuer in these proceedings (net of interest and litigation costs) is PLN 67,303.89. The Company is also a party to 11 proceedings with the employees, with the total disputed amount not exceeding PLN 73,000. One of them is an action concerning establishment of employment relationship, while in the other disputes employees challenge the manner or fact of dismissal.

The Issuer is a defendant in an action concerning eviction from warehouse store premises in Żary. In relation to the same location, three other proceedings are pending, instigated by the Issuer, who claims protection of an infringed possession and discontinuation of infringement.

Three enforcement proceedings, instigated by the Issuer, are pending. In each of the three cases enforcement concerns monetary claims awarded by the court. The principal disputed amount exceeds PLN 10,000. The total principal amount claimed by the Issuer is 41,973.24.

The Issuer is a defendant in an action brought by an individual, claiming a repair of damages which arose during the Issuer's use of premises. The disputed amount does not exceed PLN 100,000.

None of the above listed proceedings is or will be material to the Issuer's business.

16. Environmental Protection Obligations

The Issuer fulfils its obligations resulting from environmental protection requirements. To the best of the Issuer's knowledge, there are no claims or complaints alleging an adverse effect of the Issuer's enterprise on the environment.

The only form of dangerous waste related to the Issuer's operations are fluorescent lamps. Therefore the Issuer has obtained 85 decisions approving the dangerous waste management programme, issued separately for each Discount Cash & Carry and Distribution Centre by local authorities (i.e. town mayors, heads of counties). In addition, according to the information submitted to relevant authorities, relating to the produced waste and the methods of its management, the Issuer produces also other waste. Recyclable waste produced by the Issuer as a by-product of its business is recycled by companies cooperating with the Issuer and holding relevant waste management permits. Dangerous waste is utilised. All the Discounts Cash & Carry and both distribution centres manage their waste in a manner compliant with the environmental protection regulations.

Due to the use of cars and operation of boiler rooms located in the Discounts Cash & Carry, the Issuer emits gas and dust to the air. Given the level of the emissions, no permits are required. All the Discounts Cash & Carry and distribution centres conduct their water and sewage management in accordance with the environmental protection regulations.

The total value of charges for the economic use of the environment, paid by the Issuer in 2002–2004, did not exceed PLN 15,000. The primary reason for the Issuer's payment of these charges was emission of dust and gas into the air and production of waste.

In 2002–2004, the Issuer was liable to fines of the total value not exceeding PLN 4,000 for minor infringements of environmental protection regulations.