

Notes to the report SA-Q IV/2004

The report presents separate financial statements of Eurocash S.A. for the fourth quarter of 2004, prepared in compliance with Polish accounting standards adopted by Eurocash S.A. for the valuation of assets and liabilities and the measurement of the net financial result as at the balance sheet date.

Standards adopted in preparing the report concerning valuation of assets and liabilities and measurement of the financial result

In 2004 the legal basis for book keeping at Eurocash S.A. was provided by:

- the Accounting Act of 29 September 1994,
- the Commercial Companies Code of 15 September 2000,
- the Act of 20 November 1999 on amending the Act on Corporate Income Tax.

The Company keeps its books of account using the SAP computer system. Computer programmes are synchronised and connected in a Novell network.

At Eurocash S.A. accounting entries are made chronologically and systematically in accordance with the historical cost principle, except for fixed assets which are subject to periodical revaluation in accordance with the principles set forth in the Accounting Act.

Comparative data

Comparative data refers to the fourth quarter of 2003. Comparative data has been prepared in a manner ensuring its comparability.

Provisions, income tax provisions and assets

- Provisions for amounts relating to accrued holiday pay amounted to PLN 1,912.5 thous. at 31 December 2004, a decrease of PLN 23.9 thous. in the fourth quarter.
- Assets due to deferred income tax amounted to PLN 3,127.1 thous. at 31 December 2004, a decrease of PLN 417,0 thous. in the fourth quarter.
- Provision for deferred income tax amounted to PLN 1,573.2 thous. at 31 December 2004, an increase of PLN 481.5 thous. in the fourth quarter.
- Inventory revaluation write-downs amounted to PLN 4,061.8 thous. at 31 December 2004, while allowance for bad and doubtful trade receivables amounted to PLN 1,280.1 thous.

Information on material events which concern previous years disclosed in the financial statements for the financial year

No such events occurred in the financial statements for the four quarters of 2004.

The selected financial data was translated to EURO in the following manner:

- The items of the profit & loss account and cash flows were translated at the average euro exchange rate representing the arithmetic mean of the average exchange rates quoted by the National Bank of Poland, prevailing on the last day of each month, that is PLN 4.5176: EUR 1 for 2004 and PLN 4.4474: EUR 1 for 2003.
- Balance sheet items and the book value/diluted book value were translated at the average euro exchange rate quoted by the National Bank of Poland prevailing at the balance sheet date, that is: PLN 4.0790: EUR 1 as at 31 December 2004 and PLN 4.7170: EUR 1 as at 31 December 2003.

A brief description of the Company's material accomplishments or failures in the period covered by the report together with a listing of the most important events that affected them

FINANCIAL RESULTS OF EUROCASH S.A. AS AT 31 DECEMBER 2004

	2002	% sales	2003	% sales	2004	% sales	Δ `03
Sales	274 559,62		1 374 545,29		1 607 773,08		17%
EBIT	-13 575,16	-4,94	5 879,44	0,43	29 316,91	1,82	399%
EBITDA	-10 129,39	-3,69	19 284,39	1,40	50 961,24	3,17	164%
Result after tax	-10 402,09	-3,79	4 100,11	0,30	20 619,48	1,28	403%

* year 2002 includes only the period October through December

- Wholesale transactions of Discount Cash&Carry stores which operated in 2003 (without taking account of the sales increase resulting from the opening of new outlets during 2004) increased by 15.7% from PLN 1,225 m in 2003 to PLN 1,418 m in 2004
- Public Company status – preparation of the prospectus
- The number of “abc” chain stores increased to 1,892 at the end of December
- Agreement on the takeover of 12 wholesale stores formerly operating under the "MHC" brand
- Contract for the construction of a new Logistics Centre located near Poznań

Description of factors and events of extraordinary nature which had material effect on the financial results

- **Shift of costs connected with license fees**

The cost of license fees calculated as a percent of turnover in the period covering January-August 2004 and March –December 2003 were charged in these periods to other operating expenses. In connection with the termination of the license agreement (Agreement of 18 August 2004) and acquisition of rights in the know-how, which rights have been activated as intangible assets, the Company began to amortise (straight line amortisation method) the activated rights as of September.

- **Costs and interest income on a loan from Jeronimo Martins Dystrybucja Sp. z o.o.**

In October 2003 the Company obtained a loan from Jeronimo Martins Dystrybucja Sp. z o.o. in the amount of 30,422,511.72. This loan was granted in fulfilment of the buyout agreement of Eurocash from Jeronimo Martins Dystrybucja. According to the Company's Management Board this loan was not aimed to increase its current assets but was only a fulfilment of the terms of the aforementioned agreement. This standpoint has been confirmed by the fact that throughout the loan period funds from the loan were put in bank term deposits. This loan was repaid in September 2004.

- **Interest notes payable – in connection with the Act on payment due dates**

In connection with the fact that in 2004 the Company entered into agreements with some suppliers for deliveries with a payment term exceeding 30 days, during the year 2004 the suppliers issued interest notes, in compliance with the Act on payment due dates, for the amount of PLN 1,912 thous. No such charges appeared in 2003.

Material post balance sheet date events

- Public share issue on January 18-31 2005
- Eurocash S.A. made its debut on the Warsaw Stock Exchange on 4 February 2005

Factors which will affect Eurocash S.A.'s results over at least the next quarter

- Poland's economic development
- Competition and structural changes of the Polish retail and wholesale trade
- Regulations concerning the retail market
- Limited development financing requirements
- Development of logistics
- IT systems

Management Board's position on the fulfilment of the heretofore published forecasts for the given year in the light of results presented in the quarterly report as compared to the forecasted results

The below table contains information on the fulfilment of the forecast for 2004

	2004	% sales	B dg. 2004	% sales
Sales	1 608		1 582	
EBIT	29	1,82	27	1,71
EBITDA	51	3,17	49	3,10
Result after tax	21	1,28	21	1,33

Shareholders holding at least 5% of the total number of votes at the Annual General Meeting

Shareholders	Shares as at 31 Dec 2004	Shares as at 31 Dec 2003	Number of votes at AGM	% share in the number of votes at AGM
Politra B.V.	127,741,000	69,505,000	127,741,000	99.99%

Change in the Management Board Members' shareholdings

There was no change in the number of shares held by Members of the Management Board in the described period.

Change in the Supervisory Board Members' shareholdings

There was no change in the number of shares held by Members of the Supervisory Board in the described period.

Information concerning proceedings pending

In 2004 Eurocash S.A. was not a party in proceedings before a court or any other authority for liabilities or receivables of the total value of at least 10% of shareholders' equity.

Transactions with related entities

Eurocash S.A. did not enter into any transactions with a related entity in the fourth quarter of 2004.

Guarantees, loans and sureties

Eurocash S.A. did not provide any bank guarantees or sureties in the fourth quarter of 2004.