

## **EUROCASH:**

### **Conditional agreement regarding acquisition of 100% shares in KDWT S.A.**

Poznan, 16 December 2005

#### **Current Report 37/2005**

Management Board of Eurocash S.A. (hereafter "Eurocash") hereby notifies, that on 15th of December 2005 it entered into a conditional agreement (the „Agreement") to purchase 100% of shares in KDWT S.A. with its seat in Poznan („KDWT" or "the Company"), the 2nd biggest tobacco distributor in Poland with a market share of app. 9%. The purchase price of the Company's shares amounts to less than 5% of the Eurocash sales revenues within the last 4 quarters.

Additionally, Eurocash obliged himself to issue for the selected KDWT shareholders options or convertible bonds, which will entitle to subscribe after 36 months from concluding of this Agreement, for 830 000 newly issued Eurocash shares at the issue price of PLN 4.82 per share.

Among other conditions, the Agreement will not enter into force unless Eurocash obtains consent of the President of the Office for Protection of the Competition and Consumers (UOKiK) for acquisition of the Company's shares. Whether or not the conditions have been complied with and the agreement has entered into force will be communicated in the form of a current report by 1st of April 2006.

As a result of the transaction, the 2nd biggest (in terms of sales) FMCG wholesaler in Poland will be created. For comparison - the total sales of KDWT and Eurocash in 2004 amounted to over PLN 3 bn, and the total share in the tobacco distribution of KDWT and Eurocash amounts to app. 10%.

The Management Board of Eurocash believes the transaction will allow to increase the sales of both companies. This is to be achieved among others by:

- opportunity to acquire new clients by KDWT among the Eurocash customers (in particular among the stores which operate in "abc" network, which has almost 2 100 stores across the whole Poland),
- faster expansion of KDWT by use of the locations and storage space of Eurocash Discount Cash&Carry stores in order to set up the operations in new regions,
- broadening of the KDWT assortment by introduction of selected products distributed by Eurocash,
- opportunity to unify the purchase conditions within the group.

Investment in KDWT shares will be financed out of the own sources and current cash-flows from the operating activity of Eurocash. In the opinion of Eurocash Management Board, the acquisition of KDWT shares should not result in resigning from plan of dividend payment out of the 2005 net profit.

Furthermore, this investment will not result in any delays in the planned organic growth of the Discount Cash & Carry chain or bring down the funds already earmarked for new Discount Cash & Carry stores, as specified in the investment expenditure program for 2005-2008 contained in Chapter VI of the Eurocash Offering Prospectus.

#### **Legal basis:**

Article 56.1 (1) of the Public Offering Law, dated 29th July 2005