



**EUROCASH**

**SEPARATE ANNUAL REPORT  
FOR THE 2016**

**TRANSLATORS' EXPLANATORY NOTE**

The following document is a free translation of the report of the above-mentioned Polish Company.

In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

## **CONTENTS**

- I. EUROCASH S.A. – REPORT OF THE MANAGEMENT BOARD**
- II. SELECTED SEPARATE FINANCIAL DATA**
- III. AUDITOR’S OPINION**
- IV. AUDITOR’S REPORT**
- V. SEPARATE FINANCIAL STATEMENT**

**EUROCASH S.A.**

**REPORT OF THE MANAGEMENT BOARD**  
FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016

**NOTE FROM TRANSLATOR**

This document is a translation from Polish.

The Polish original is the binding version and shall be referred to in matters of interpretation.

**KOMORNIKI, 15 March 2017**

## Contents

<b>LETTER FROM THE PRESIDENT .....</b>	<b>3</b>
<b>1. SUMMARY OF EUROCASH OPERATIONS IN 2016 .....</b>	<b>5</b>
<b>2. EUROCASH GROUP BUSINESS OVERVIEW .....</b>	<b>6</b>
2.1 MARKET ENVIRONMENT .....	6
2.2. EUROCASH GROUP: BUSINESS FORMATS.....	10
2.3 NUMBER OF OUTLETS.....	11
2.4 SALES STRUCTURE.....	12
2.5. STRUCTURE OF THE EUROCASH CAPITAL GROUP .....	12
<b>3. EUROCASH DEVELOPMENT PROSPECTS .....</b>	<b>14</b>
3.1 EUROCASH DEVELOPMENT STRATEGY .....	14
3.2 FACTORS IMPACTING DEVELOPMENT OF EUROCASH .....	15
3.3 RISKS AND THREATS.....	18
3.4 NOTE ON SEASONALITY .....	19
<b>4. MANAGEMENT DISCUSSION OF EUROCASH FINANCIAL PERFORMANCE FOR 2016 .....</b>	<b>20</b>
4.1 PRINCIPLES APPLIED IN THE PREPARATION OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS.....	20
4.2 EUROCASH: FINANCIAL AND OPERATIONAL HIGHLIGHTS .....	20
4.4 BALANCE SHEET DATA .....	21
4.5 KEY OFF-BALANCE SHEET ITEMS.....	23
4.6 EUROCASH CASH FLOW ANALYSIS .....	24
4.7 INVESTMENT ACTIVITY.....	25
4.8 KEY CONTRIBUTORS TO 2016 FINANCIAL PERFORMANCE OF EUROCASH .....	26
<b>5. ADDITIONAL INFORMATION.....</b>	<b>27</b>
5.1 INFORMATION ON COURT PROCEEDINGS .....	27
5.2 INFORMATION ON SIGNIFICANT AGREEMENTS .....	27
5.3 INFORMATION ON TRANSACTIONS WITH CONNECTED ENTITIES.....	28
5.4 INFORMATION ON TRANSACTIONS WITH CONNECTED ENTITIES.....	28
5.5 FORECASTS PUBLICATION.....	29
5.6 CHANGES IN KEY MANAGEMENT PRINCIPLES .....	29
5.7 AGREEMENTS WITH MEMBERS OF THE MANAGEMENT BOARD AS FINANCIAL COMPENSATION GUARANTEES.....	29
5.8 INFORMATION ON REGISTERED AUDIT COMPANY .....	29
<b>6. STATEMENT ON CORPORATE GOVERNANCE RULES.....</b>	<b>31</b>
6.1 INDICATION OF CORPORATE GOVERNANCE RULES APPLICABLE TO ISSUER .....	31
6.2 SHAREHOLDERS STRUCTURE.....	31
6.3 THE PARENT'S GOVERNING BODIES.....	34
6.4 INFORMATION ON EMPLOYEE SHARES CONTROL SYSTEM .....	42
<b>7. REPRESENTATIONS OF THE MANAGEMENT BOARD.....</b>	<b>45</b>
7.1 ACCURACY AND RELIABILITY OF REPORTS PRESENTED .....	45
7.2 APPOINTMENT OF ENTITY QUALIFIED TO AUDIT FINANCIAL STATEMENTS.....	45
<b>APPENDIX A: Financial Ratios Definitions .....</b>	<b>46</b>

## LETTER FROM THE PRESIDENT

Dear Shareholders, Customers, Partners and Employees

The year 2016 was important in development of the strategy we renewed in 2013. We kept working on the development of our clients' businesses in order to increase their competitiveness. Long ago we learned that the most important factor to measure the success of our business is the success of our clients. We see it as our success when the independent trade grows, and our failure each time an independent store closes.



In 2016 we faced difficulties in our results as a Group, motivated mainly by two factors: the decrease of results in Cash & Carry operations and the investment in negative EBTIDA in new projects key for the development of our and our clients' businesses, like the Fresh project or the new ventures.

Cash & Carry operating in the toughest segment of the smaller stores faced difficulties in absorbing the expansion of 2014 that motivated a high level of cannibalization. We consequent dropped in LFL and in the efficiency of the business as a whole. This increase in cost of new stores and negative LFL provoked a drop in results of the business unit that was very relevant at the Group level.

The financial results of the Group were also affected by the investments we are doing in the main projects, like the Fresh project in Delikatesy Centrum or the new ventures, but in this case goes as planned and we are building the future of our Group and mainly of our clients.

Looking at our other business units we can say that this year was very positive and almost all of them won the challenges that were in front of them.

Eurocash Distribution had a good year of growth in the franchise business mainly due to the improvements made in the last two years in terms of service to their clients. We now have a top-notch logistic system that has no parallel in the Polish wholesale market, which allows our clients to be much more cost-efficient. I have no doubts in saying that now Eurocash Distribution is by far the best active distributor in Poland and whoever experiences their services immediately feels the difference. Financially wise they achieved their budgets and I can only congratulate the business for the evolution in the last 3 years.

Delikatesy Centrum continues to be the supermarket chain with the best sales per sqm and one of the best consumer NPS (recommendation level by our consumers), showing that independent trade can be extremely efficient and be the best operator on the market. But we still have to do much better at standardizing the quality of our perishables and differentiating ourselves by having the best fresh products on the market. The investment in the Fresh project is strategic for the future of our client business, and we will be investing the next 3 years to be sure this project becomes our biggest differentiator in the future. Delikatesy Centrum chain had a big failure, which was expansion, and this year will have to work hard to come back to the healthy expansion levels of the past.

Eurocash Serwis managed a difficult integration of two successful businesses, as KDWT and Kolporter were, in a superb way, and it's now the unquestionable leader of tobacco&impulse distribution in the country at same time that it has developed an innovative e-cigarette brand for mass market distribution.

Eurocash Food Service invested in a completely new and modern logistic system and is now developing the ready to eat distribution business to our main clients. At the end of the year we had good news of winning the important IKEA contract.

Eurocash Alkohole had a stable year in terms of sales but with increased profitability. At same time we closed the acquisition of PDA to reinforce our position in central Poland.

Also in 2017 we kept developing our retail businesses not only through our partnerships with Lagardere Travel Retail (Inmedio), where we are market leaders in media retail, but also with important joint ventures with our main Delikatesy Centrum franchisees (Firma Rogala and FHC-2) where we learn how to better develop Delikatesy Centrum business from our clients' perspective. Also at year-end we made the 1st retail supermarket acquisition, EKO , a company operating in south-west Poland with app. 250 stores. Our retail business is now around PLN 2 billion, and it's clearly a target for future investments.

A final word for our ventures, where some of our dynamic young entrepreneurs have been developing retail businesses which are clearly consumer-centric and innovative: Duży Ben, Kontigo, 1 minute and abc on wheels are good examples of how to develop businesses from scratch, of which we are very proud.

I would like to finish this letter by thanking also our Shareholders, who had a difficult year, and assure them we are confident we are doing the right things for development of our common business.

Sincerely,  
Luis Amaral  
CEO, Eurocash S.A.

## 1. SUMMARY OF EUROCASH OPERATIONS IN 2016

Eurocash Sales in 2016 reached PLN 14 225.19 million, EBITDA amounted to PLN 246.47 m, net profit of PLN 102.61 million. In contrast, for the year ended 31 December 2015 Eurocash achieved sales revenues of PLN 13 750.72 m, EBITDA of PLN 300.33 m, and a net profit of PLN 527.89 m. There are no significant risks in the current and projected financial situation of Eurocash S.A.

**Table 1. Eurocash: Summary of 2016 Financial Performance**

PLN m	2016	2015	Change
Sales revenues (traded goods, materials)	14 225,19	13 750,72	3,45%
EBITDA	246,47	300,33	-17,93%
(EBITDA margin %)	1,73%	2,18%	-0,45 p.p.
EBIT	134,98	197,39	-31,62%
(EBIT margin %)	0,95%	1,44%	-0,49 p.p.
Net Income	125,01	527,89	-76,32%
(Net profitability %)	102,61	500,68	-79,51%

At 2016 year end, number of Cash&Carry stores increased by 3 and amounted to 190 outlets. Number of abc loyalty scheme stores increased by record 920 outlets and amounted to 8 605. Number of franchise stores in Delikatesy Centrum chain increased by 10 reaching the level of 1086 stores. Number of franchise and partnership stores integrated by Eurocash Group subsidiaries (Groszek, Euro Sklep, Lewiatan, PSD) amounted to 4 750 at the end of 2016, and increased by 196 outlets comparing to the end of 2015.

The like-for-like sales decreased by -3.47% in the Eurocash Cash&Carry format while the wholesale like-for like to Delikatesy Centrum franchise stores increased by 5.59%.

Sales of goods in Cash&Carry format to external customers in 2016 amounted to PLN 4 342.52 m and decreased by 0.24%. Wholesale sales to Delikatesy Centrum stores increased by 9.06% reaching level of PLN 2 138.96m. Sales of Eurocash Distribution amounted to PLN 4 286.10 m, (decrease by 1.40%) and excluding export sales of this format increased by 4.4% YoY. Sales realized by Alcohol Distribution format amounted to PLN 2 029.15 m, an increase by 0.88%. Excluding export sales of the format increased in 2016 by 4.3% YoY. The external sales of goods of Eurocash Food Service increased by 6.13% and amounted to PLN 375.38 m.

## 2. EUROCASH GROUP BUSINESS OVERVIEW

### 2.1 Market Environment

#### **Key macroeconomic data**

Due to the fact that the Group does business in Poland, the local macroeconomic environment has had and will have a significant impact on the future financial performance and the Group's development.

The pace of economic growth, household income levels, and other macroeconomic factors has a significant impact on the population's spending levels and the pace of growth in the domestic demand. Likewise, they also indirectly affect the Group's sales revenues.

The table below presents key macroeconomic data for the Polish economy for periods indicated.

**Table 2. Eurocash: Macroeconomic situation in Poland**

	2016	2015	2014
GDP change* (in %)	2,8	3,9	3,3
Consumer price index change (in %)	-0,6	-0,9	0
Registered unemployment** (in %)	8,3	9,7	11,5

Source: Central Statistical Office

\* Preliminary data

\*\* As at year end

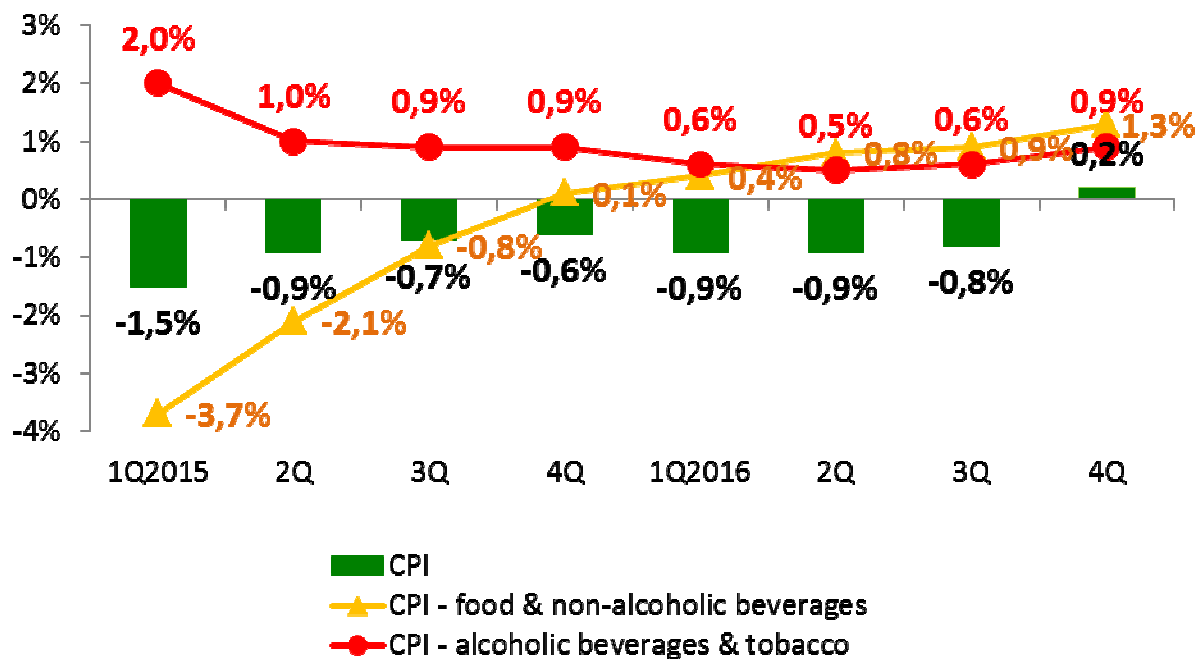
Poland's economic growth, as measured by GDP growth, according to preliminary estimates, amounted in 2016 to 2.8% compared to 3.9% in 2015. In 2016, the fastest - growing sector of the economy was financial and insurance activities - the value added in this sector increased by 6.7% year on year. Similar growth dynamic was reached by transportation and storage – an increase by 6.4% YoY and trade and repair of motor vehicles – an increase by 5.4%. The only sector which noted decrease of value added was building – decrease by 11.9% YoY.

Prices of consumer goods and services in 2016 decreased by 0.6% comparing with previous year. Prices of food and non-alcoholic beverages in 2016 increased by 0.8% and prices of alcoholic beverages and tobacco products increased by 0.7% y/y.

On the chart below is presented the consumer prices index evolution on a quarterly basis.

At the end of December 2016, the registered unemployment rate in the country improved comparing to the previous year and amounted to 8.3%.

Chart 1. Dynamics of price indices of consumer goods and services (CPI)



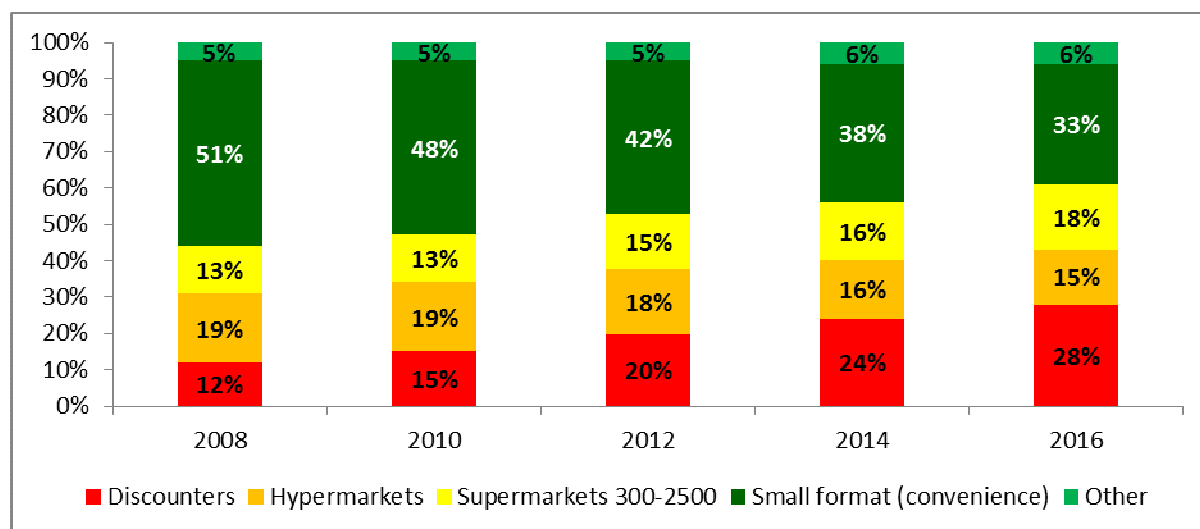
Source: Central Statistical Office of Poland

#### Polish FMCG market - general information

The FMCG market includes food products, soft drinks, alcoholic beverages, tobacco products, and household chemicals and cosmetics.

According to the GfK Polonia Sp. z o.o., value of the FMCG market in 2016 in Poland amounted to PLN 244.3 billion, which represents an increase of 6.4% compared with 2015 (PLN 229.6 billion). About 87% of the total FMCG market belongs to retail stores (large and small formats) and 13% of sales are generated by the HoReCa sector. Market share of large-format stores is continuously increasing over the last several years.. The share of small-format stores decreased also in 2016 and dropped to app. 39% from 41% in 2015. In the same time total number of small-format grocery stores decrease by 3.9% reaching app. 71.3 thousand stores at the end of 2016.

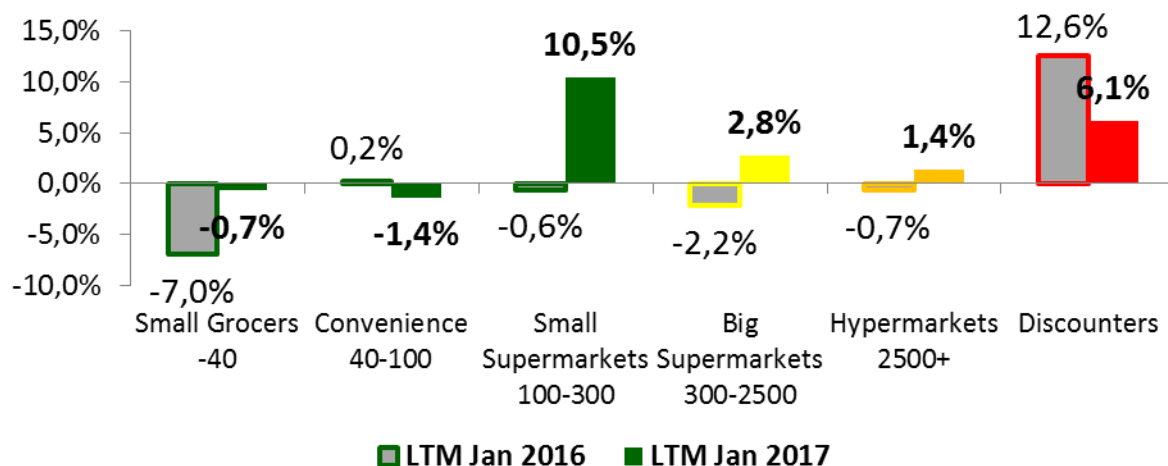
**Chart 2. Structure of FMCG Market in Poland**



Source: GfK Polonia

According to Nielsen, segment of small supermarkets with sales area 100-300 sqm was in 2016 the fastest growing distribution channel with 10.5% growth YoY. Other growing channel was discounters with 6.1% sales increase in comparison to 12.6% year before. Positive dynamic was also noted in supermarkets and hypermarkets. There is still observed a decrease of stores with sales area below 100 sqm, while the sales decrease of the smallest one is slowing down from -7.0% in 2015 to -0.7% in 2016 YoY.

**Chart 3. Last Twelve Month (LTM\*) sales dynamics of FMCG\*\* products**



Source: Nielsen

\* LTM Jan 2017 = from January 2016 to January 2017

\*\* Small supermarkets, Convenience, Small Grocers – Food sales dynamics

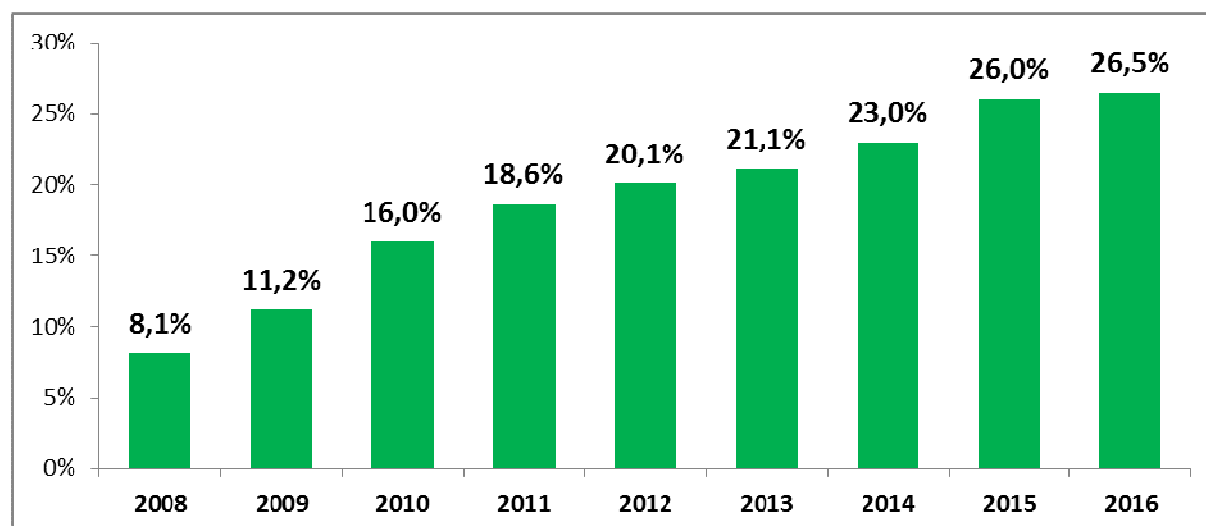
### **Wholesale distribution of FMCG Market**

Wholesale operations which are players in the FMCG distribution market primarily compete in supplying independent small supermarkets, traditional grocery stores, specialized grocery stores (butcher's, bakeries, confectionaries, fruit and vegetable stores, alcoholic beverages stores, and

fishmonger's) and so called alternative distribution channels which include kiosks, retail outlets attached to petrol stations, as well as the HoReCa (hotels, restaurants, and catering outlets).

In 2016, Eurocash Group represented a 26.5% share in the wholesale market of FMCG products, which was a 0.5 p.p. increase on the previous year. Below is presented the evolution of Eurocash Group market share during last eight years.

**Chart 4. Market share of Eurocash Group during 2008-2016**



*Source: Own estimates following GfK Polonia*

### **Polish FMCG Market Trends**

In the last decade, a gradual leveling off the market share was noted for both FMCG retail sales channels, i.e. the modern and the traditional channel. Currently, according to estimates released by GfK Polonia, large format stores (supermarkets, hypermarkets and discount stores) have market of approximately 61% of major retail channels whereas small format stores - approximately 39%. According to Eurocash, there is no evidence that the role of traditional retail trade will continue to dramatically diminish in the coming years. This is supported by both external conditions (the demographic structure) as well as internal conditions (which mainly consist of consolidation and modernization mechanisms which facilitate effective competition with large format outlets.) Pooling grocery stores and small supermarkets into franchise networks - both traditional in nature (which are in fact a form of loyalty programs) as well as modern ones (which tie retailers strongly to their supplier) a manifestation of this trend. According to estimates released by GfK Polonia, the total number of retail outlets associated in networks was approximately 28 600 thousands in 2016.

After rapid consolidation of the FMCG wholesale distribution market has observed in years 1991-2000, the last decade saw a reduction in the number of wholesale businesses involved in the sales of FMCG products down to approximately 3 000 - 4 000 entities, which number remains stable.

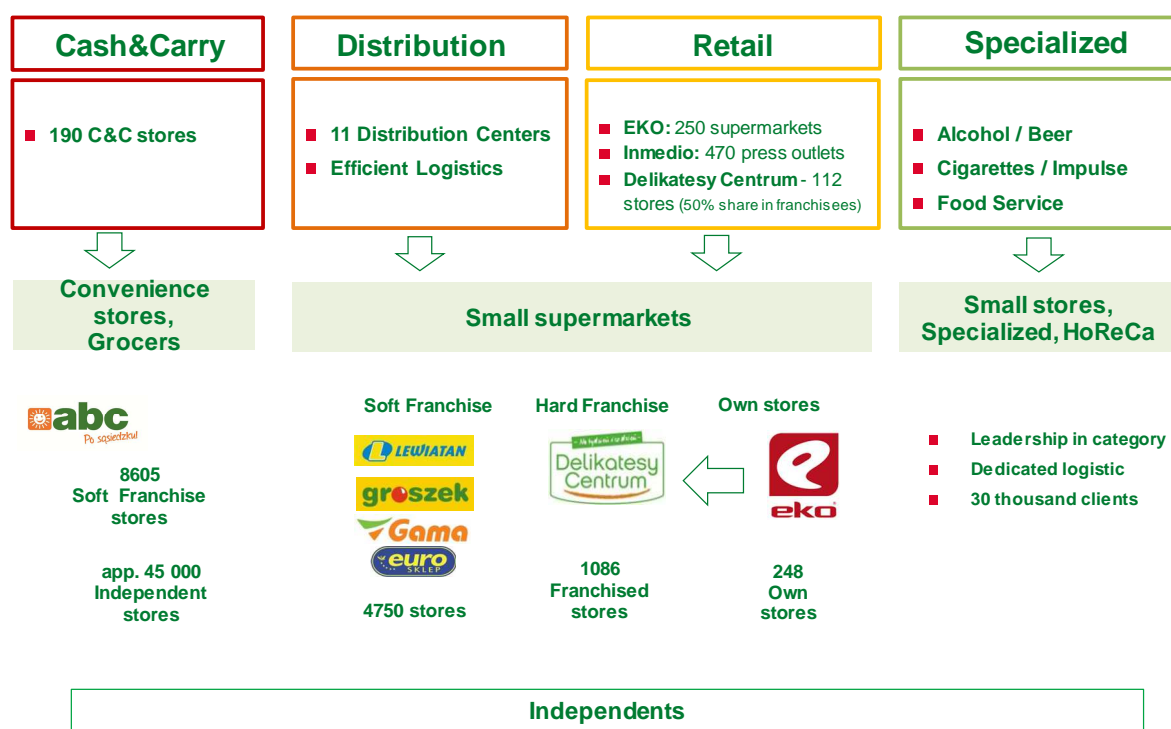
## 2.2. Eurocash Group: Business Formats

The Eurocash Group is one of the largest groups in Poland in terms of sales values and the number of outlets involved in the distribution of food products, household chemicals, alcohol, and tobacco products (fast moving consumer goods – FMCG.) Through a range of distribution formats, the Eurocash Group focuses its business activities on the wholesale distribution to customers across all significant wholesale market segments, in particular, to small format stores throughout Poland such as traditional retail stores (small supermarkets and grocery stores), convenience stores at petrol stations, restaurants, hotels and cafeterias.

The Eurocash Group operates a range of distribution formats focused on supplying independent stores in Poland, which primarily include the following:

- **Cash & Carry**
- **Active Distribution and Franchise systems**
- **Specialized Distribution**

Chart 5. Eurocash Group focused on small format stores



**Cash & Carry**– a nation-wide network of discount Cash&Carry type warehouses which operate under the “Eurocash Cash & Carry” brand, with the loyalty program for the “abc” network of grocery stores.

### Franchise Systems:

- **Delikatesy Centrum** – a franchise system for retail stores which operate under the Delikatesy Centrum brand.

- Over 4 750 retail franchise and partner stores under the brands: Lewiatan, Groszek, Euro Sklep, Gama / PSD supplied by Eurocash Dystrybucja.

#### Active Distribution

- **Eurocash Distribution** - the biggest polish nationwide distributor of FMCG providing trade of products with service to the client with the broad range of assortment.

#### Specialized Distribution

- **Eurocash Gastronomia (Food Service)** – supply network for restaurant chains, hotels, and petrol stations
- **Eurocash Alcohols** – specialized wholesale and retail distribution of alcoholic beverages throughout Poland.
- **Eurocash Serwis (Tobacco & Impulse)** – active distribution of tobacco products and fast moving consumer goods.

**Other** – aside from the core business indicated above, the Eurocash Group also distributes electronic financial services through a network of approximately 10.0 thousand terminals located in stores nationwide through PayUp, which offers, e.g. mobile top ups, bill payments, and charge card payments. Eurocash Group run also chain of stores specialized in sales of tobacco and impulse products under Inmedio brand (Eurocash Group controls 51% of shares of Inmedio) and owns 50% of shares in Firma Rogala running 64 retail stores under Delikatesy Centrum franchise chain.

### 2.3 Number of outlets

As at 31 December 2016, the wholesale network of Eurocash Group comprised 190 Cash&Carry warehouses. The Delikatesy Centrum network comprised 1086 supermarkets, while the 'abc' network comprised 8 605 local grocery stores and number of stores associated in networks managed by Eurocash Dystrybucja was 4 750.

Information on the number of Cash & Carry Warehouses, Delikatesy Centrum stores, 'abc' store network and stores associated in Eurocash Distribution is presented in the table below as at specified dates.

**Table 3. Number of Cash & Carry warehouses and franchise stores**

	As at 31 December				Change 2016/2015	Change 2015/2014	Change 2014/2013
	2016	2015	2014	2013			
Cash & Carry Warehouses*	190	187	168	158	3	19	10
Delikatesy Centrum	1 086	1 076	1 003	875	10	73	128
„abc” store network	8 605	7 658	6 997	6 133	947	661	864
Franchise and partner stores of Eurocash Distribution	4 750	4 554	4 362	4 325	196	192	37

Source: Eurocash

*\*The number also takes into account 3 cash & carry warehouses of Batna acquired by the Group as a result of the takeover of Batna in November 2010*

## **2.4 Sales Structure**

Basic groceries (food and drinks – both alcoholic and non-alcoholic) represent key sales items for the Eurocash Group. In 2016, the share of these products accounted for approximately 68.7% of the total sales figure. The second most important sales contributor comprised of tobacco products, pre-paid top ups, and phone cards - with the share of 28.5% in 2016. The share of other non-food products (including cosmetics, household chemicals, OTC drugs, and others) accounted for 2.8% in 2016

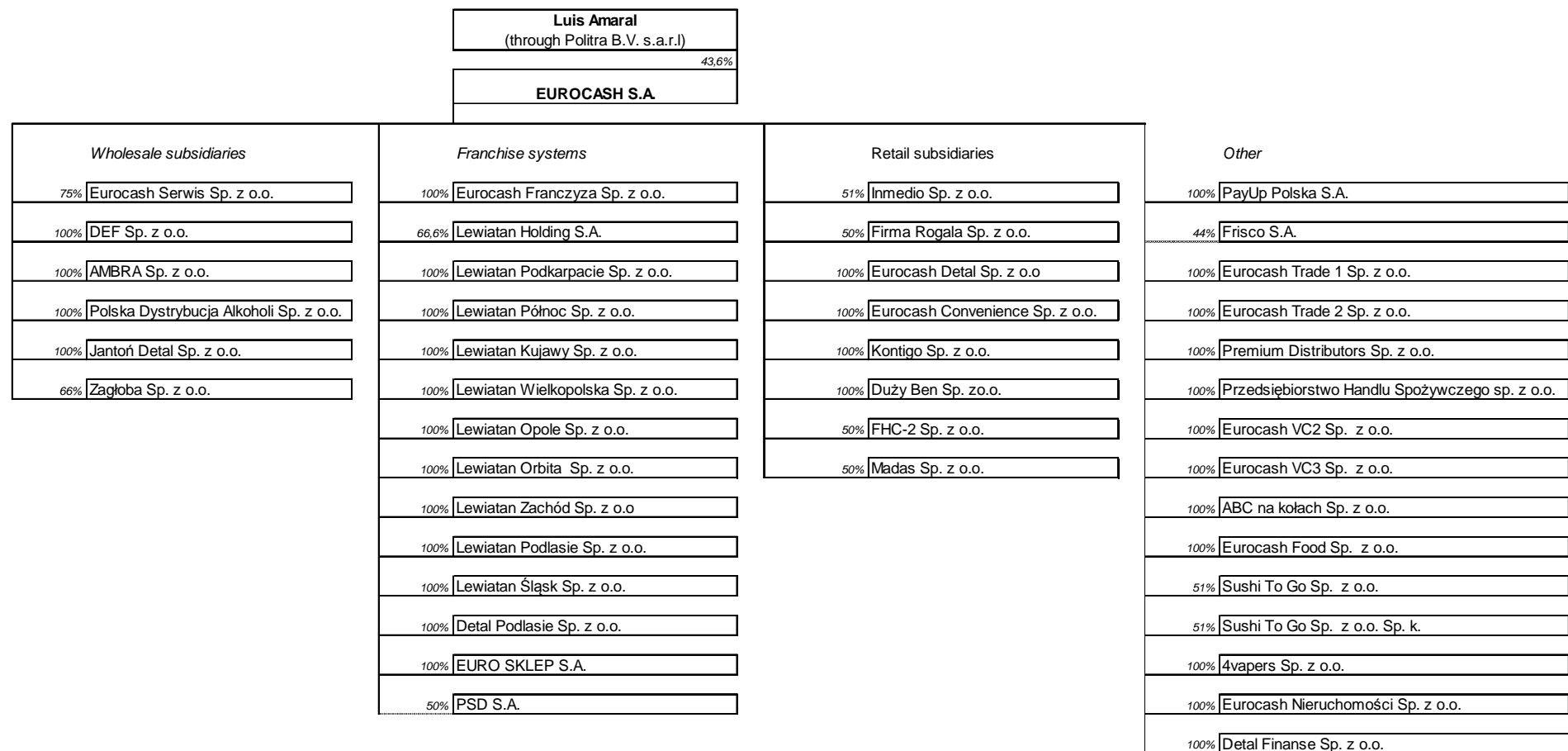
Due to the large dispersion of the sale, none of the customers of the Eurocash Group reached 10% of the Group's sales revenue Eurocash total.

## **2.5. Structure of the Eurocash Capital Group**

Luis Amaral is the main shareholder of Eurocash (directly and indirectly through Politra B.V. s.a.r.l.), with the shareholding of 43.58% as at 31.12.2016. Luis Amaral serves as President of the Management Board. The structure of the Eurocash Group and its affiliated companies is presented on the following chart. Detailed information on the Eurocash Group's organizational structure and a specification of entities under consolidation may be found in Supplementary Information to the consolidated financial statements.

The parent entity in the Group is Eurocash S.A., which performs most of the group's sales. In recent years Eurocash S.A. took over a number of its subsidiaries, which allowed to simplification of the group structure.

**.Chart 6. The structure of the Eurocash Group and its affiliated companies as at December 31, 2016:**



### 3. EUROCASH DEVELOPMENT PROSPECTS

#### 3.1 Eurocash Development Strategy

The primary goal of the Group is to ensure the competitiveness of independent retail stores in Poland and to offer added value to the Group's customers as well as to increase the value of the Group for its shareholders. The strategy of the Group is focused on and follows the customer who is the addressee of the Group's offer to enter into a range of cooperation options through specific distribution channel formats:

- for small and medium retail stores looking to be supplied with FMCG products whereby an appropriate level of profitability in the adjacency of their business location is ensured without the need for product deliveries – Cash & Carry warehouses and the loyalty program of stores which comprise the 'abc' network
- for small and medium retail stores looking for FMCG product supplies and support in running retail operations whereby an appropriate level of profitability is ensured – Eurocash Distribution and partner programs under brands such as Lewiatan, Euro-Sklep, Groszek, Gama (affiliate of PSD)
- for retail stores looking for the comprehensive delivery of products - the Delikatesy Centrum franchise network
- for customers looking for specialized deliveries of specific product categories, e.g.:
  - tobacco products and fast moving consumer goods (retail stores, kiosks, etc.) – distribution through Eurocash Serwis (Tobacco & Impulse)
  - alcoholic beverages – distribution of alcoholic beverages through Eurocash Alcohols,
  - restaurant chains, hotel chains, and petrol station chains looking for the comprehensive delivery of specific products as well as high service quality – distribution under Eurocash Food Service and Eurocash Distribution

The expansion of the Group's business operations took place in response to the needs of customers who operated in the traditional retail market in order to reach a new customer group or to expand cooperation with current customers. The expansion of the Group's business was accompanied by growing the customer base as well as adding new forms of cooperation to the offer, which took place through takeovers of entities which operated in distribution formats where the Group had not been present or had had a limited business presence.

Strategic goals of the Eurocash Group are as follows:

- satisfy the needs of the Group's customers across key product groups through a range of distribution formats and forms of cooperation as well as by ensuring that customers receive an expected service quality,

- create a permanent competitive advantage for the Group through scale economies available in wholesale business operations run by the large format business players, and
- further integrate operating systems and regularly optimize costs.

In response to an ongoing consolidation process noted in the market for food products distribution in Poland, including the market for the wholesale distribution of FMCG products in Poland, the strategy of the Eurocash Group also assumes further organic growth across every distribution format as well as the continuation of takeovers of other wholesalers and franchise networks. Transactions concerning acquisitions of other entities allow generating scale economies relatively fast, which translates into the possibility for Group to offer its customers (independent retail trade) better conditions of goods procurement, which should also help increase the Group's competitiveness and enhance its market position.

### **3.2 Factors impacting Development of Eurocash**

#### ***External Factors***

##### *Growth in the FMCG market and changes in market structure*

The Group anticipates further growth of share in modern distribution channels, however, its adverse impact on Company's income will be compensated by the growth of the FMCG market value as well as by the consolidation in the wholesale market to traditional wholesale sales channels.

##### *Inflation*

Unexpected changes in the prices of food products, beverages, alcohol, or other FMCG products, or the price of fuel, of which depend on logistics costs may affect the results Eurocash.

##### *Payroll costs*

A potential stress on payroll costs may have an adverse effect on the Group's performance in the medium term perspective. However, a prospective increase in remuneration levels has an effect on the entire Polish market. As the Group sales are realized in Poland, its competitive position should remain unchanged due to this influence.

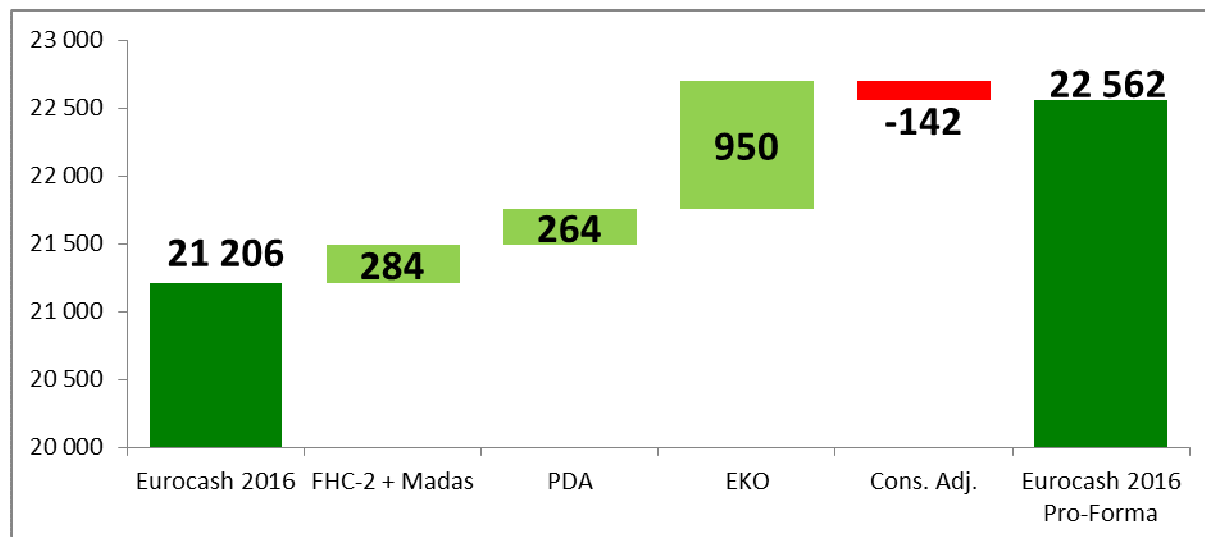
#### ***Internal Factors***

##### *Integration of acquired companies*

Due to the necessity of integrating acquired companies EKO Holding S.A., FHC-2 Sp.z o.o., Madas Sp. z o.o. and Polska Dystrybucja Alkoholi Sp. z o.o. at the operational level, in the opinion of Eurocash S.A. Board full synergies associated with these transactions will be possible to reach within 3 years after the acquisition of control over these companies. Companies EKO Holding S.A., FHC-2 Sp.z o.o., Madas Sp. z o.o. will be integrated within Delikatesy Centrum chain, and PDA Sp. z o.o. will

be integrated within Eurocash Alkohole distribution format. According received information sales of acquired companies in 2016 amounted as on below chart:

**Chart 7. Sales of Eurocash Group and acquired companies (PLN m):**



#### *New business formats*

Development of new formats for wholesale distribution or new franchise formats for retail stores in order to offer a complete range to the customers of the Eurocash Group and to achieve economies of scale.

#### *Eurocash Retail segment*

Retail subsidiaries of Eurocash: Inmedio, Firma Rogala, FHC-2, Madas and EKO Holding S.A. will be part of new retail distribution format since 2017 and will consists totally 828 outlets with sales of PLN 2 168 m.

#### *Investment in strategical growth projects*

To remain competitiveness of independent retail stores in Poland Eurocash Group continues an investment in innovative projects: Faktoria Win, Duży Ben, 1 minute, abc on wheels, Kontigo and distribution of high quality fresh products. In 2016 total EBITDA of these projects were negative at level of PLN 39 m and in 2017 estimated impact on EBITDA will increase to app. PLN 52 m. Faktoria Win already reached maturity and positive EBITDA and in 2017 will be moved from New Projects segment.

Chart 8. Sales of New Projects and Fresh Project (PLN m):

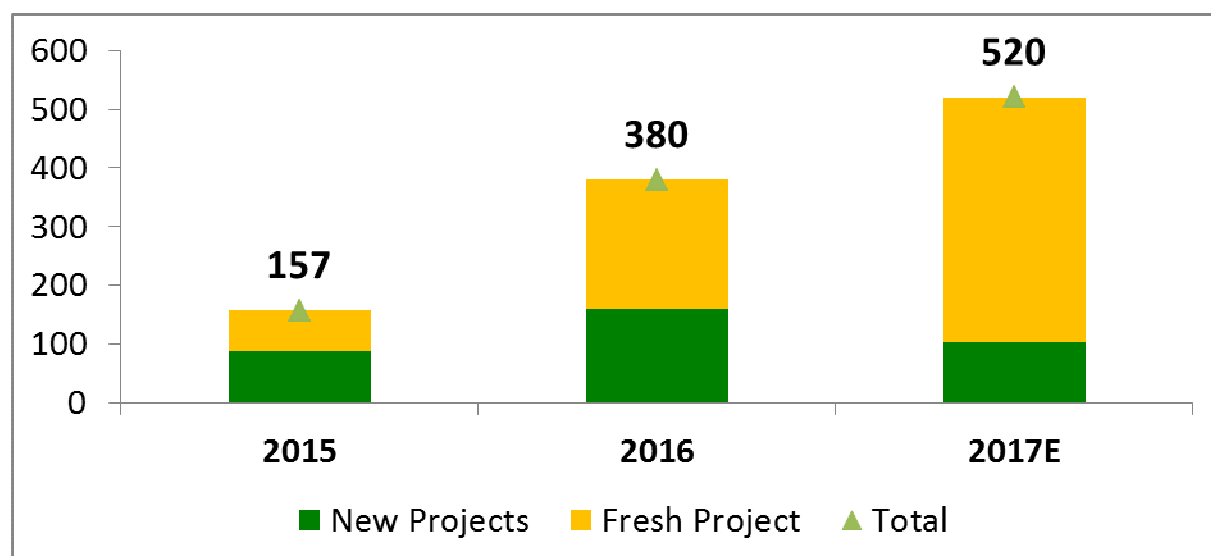
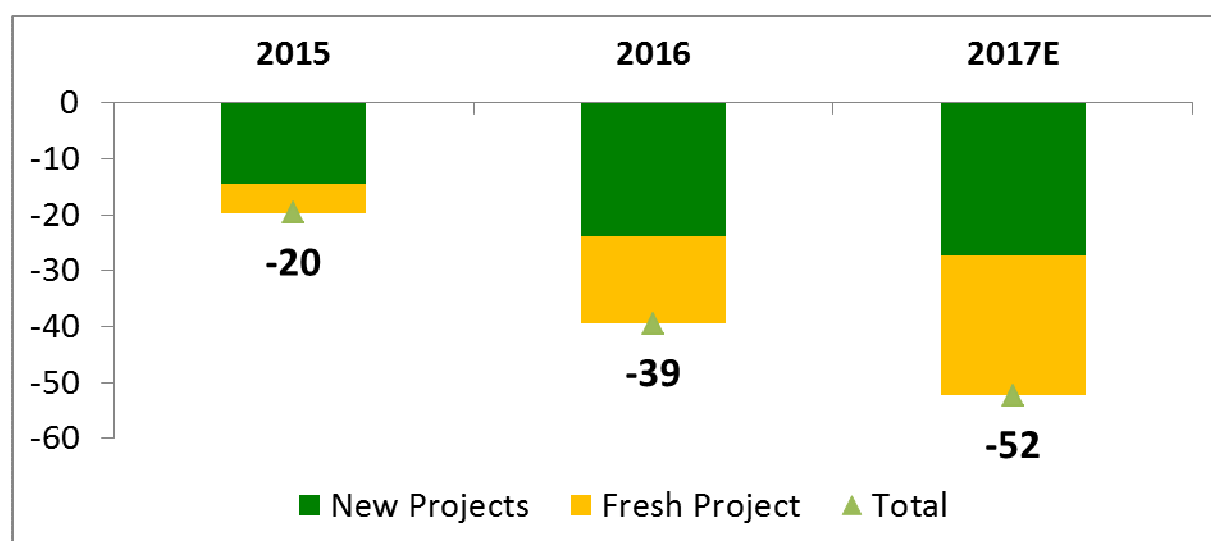


Chart 9. EBITDA of New Projects and Fresh Project (PLN m):



#### *Restructuring of Eurocash Cash&Carry distribution format*

In 2014-2016 the number of Eurocash Cash&Carry outlets increased by 32 and the sales at this time remained at stable level. Lack of sales growth and increased level of fixed costs was main reason of Cash&Carry EBITDA decrease by PLN 32 m comparing to 2015. The Management Board of Eurocash Group decided that in 1Q 2017 3 stores will be closed, after which analysis of sales and clients behavior will be conducted. After effects analysis, each next quarter will be taken a decision regarding next stores closures. The Management Board expects that in next 2 years maximum 17 Cash & Carry outlets might be closed.

### *Organic growth*

Management of the Eurocash Group expects that during 2017:

- Eurocash Cash&Carry stores structure will be under revision. In 1Q 2017 3 stores will be closed, later the Management Board will consider further Cash&Carry restructuring.
- number of Delikatesy Centrum franchise stores will increase by app. 80 stores

### **3.3 Risks and Threats**

Financial risks are discussed in Note 36 to the separate financial statements for 2016, which constitute a part of the Eurocash annual report for 2016. Other significant risk factors related to the operations of Eurocash are presented below.

#### ***External Factors***

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

Economic slowdown, a drop in the purchasing power, and a decrease in household expenditure for consumption may have a negative impact on sales volume noted by Eurocash.

##### *Structure of FMCG retail distribution market in Poland*

In 2016, the traditional distribution channel was a significant form of FMCG retail distribution, representing the share of approx. 41%. Such a high share (against other European countries) results from a low concentration of population in a country as well as from poor housing conditions as small and medium-size shops located away from large conglomerates comprise the key customer group for Eurocash. Growth in the share of modern distribution will shrink a prospective market for the Eurocash Group's business.

##### *Structure of the traditional FMCG distribution channel. Competition*

According to the estimates compiled by the Eurocash Group, approx. 3 000-4 000 entities operate in the wholesale FMCG distribution market. Market consolidation and an entry of new strong players could have a negative impact on margin levels.

## ***Internal Factors***

### *IT systems*

An efficient, uniform IT system facilitates a centralized and efficient management of business processes as well as an accurate profitability study of specific products and discount stores, which enhances safe business operations. Possible disturbances in system operations could constitute a threat for the Group's business.

### *New investments*

The Eurocash Group wishes to be an active player in the process of market consolidation by way of acquiring FMCG warehouses. While taking over other enterprises, the Group faces numerous material risks connected to integration, achievement of synergies planned, or an inadequate assessment of the market potential.

### *Suppliers*

Due to the range of products offered by the Eurocash Group and geographically diverse sales, key suppliers of the Group are numerous and as at 31 December 2016 comprised over 1 820 national and foreign entities.

Suppliers of branded products, comprised of key producers and importers of FMCG merchandise including tobacco products and alcoholic beverages, are selected mainly based on their market share, impact of the brand, the coverage of individual product segments, and regional diversification.

Due the nature of the FMCG market, as well as market competitiveness and lower sales volumes noted for tobacco products in Poland, the Group's operations does not depend on suppliers, as a result of which the risk related to contract termination or adverse changes in contractual terms could have a negative effect on business operations of Eurocash and its financial performance is limited.

## **3.4 Note on seasonality**

Sales in FMCG wholesale trade are traditionally lower in Q1 against the remaining quarters. Sales peak in the summer period and stabilize in the Q4.

#### 4. MANAGEMENT DISCUSSION OF EUROCASH FINANCIAL PERFORMANCE FOR 2016

##### 4.1 Principles applied in the preparation of annual consolidated financial statements

The separate financial statements have been prepared in accordance with the international Financial Reporting Standards, as endorsed by the European Union and on the understanding of continuation of operations by companies within the Group in the foreseeable future. At the date of preparing the financial statement there were no conditions indicating risks in continuation of operation by the Company.

Accounting policy used to prepare financial statement was presented in a point 2 of separate financial statement of Eurocash S.A. for the FY2016 and was applied to all periods presented in the financial statement.

##### 4.2 Eurocash: Financial and Operational Highlights

**Table 4. Eurocash: Summary of 2016 Financial Performance**

PLN m	2016	2015	Change
Sales revenues (traded goods, materials)	14 225,19	13 750,72	3,45%
EBITDA (EBITDA margin %)	246,47 1,73%	300,33 2,18%	-17,93% -0,45 p.p.
EBIT (EBIT margin %)	134,98 0,95%	197,39 1,44%	-31,62% -0,49 p.p.
Gross profit	125,01	527,89	-76,32%
Net Income (Net profitability %)	102,61 0,72%	500,68 3,64%	-79,51% -2,92 p.p.

Eurocash Sales in 2016 reached PLN 14 225.19 million, EBITDA amounted to PLN 246.47 m, net profit of PLN 102.61 million. In contrast, for the year ended 31 December 2014 Eurocash achieved sales revenues of PLN 13 750.72 million, EBITDA amounted to PLN 300.33 m, net profit of PLN 500.68 million. There are no significant risks in the current and projected financial situation of Eurocash S.A.

### 4.3 Profit and Loss Account

#### *Profitability Analysis*

**Table 5. Eurocash: Financial Performance for 2016**

PLN m	2016	2015	Change
Sales revenues (traded goods, materials)	14 225,19	13 750,72	3,45%
Gross profit (loss) on sales	1 560,61	1 523,46	2,44%
Gross profitability on sales (%)	10,97%	11,08%	-0,11 p.p.
EBITDA	246,47	300,33	-17,93%
(EBITDA margin %)	1,73%	2,18%	-0,45 p.p.
EBIT	134,98	197,39	-31,62%
(EBIT margin %)	0,95%	1,44%	-0,49 p.p.
Gross profit	125,01	527,89	-76,32%
Net Income	102,61	500,68	-79,51%
(Net profitability %)	0,72%	3,64%	-2,92 p.p.

Gross profitability on sales amounted in 2016 10.97%, which is 0.11 p.p. less than in 2015.

EBITDA decreased to the level of PLN 246.47 m in 2016 from PLN 300.33 m in 2015. EBITDA margin decreased in 2016 by 0.45 pp and amounted to 1.73%. Net Income in 2016 amounted to PLN 102.61m in comparison to PLN 500.68 m in 2015.

### 4.4 Balance Sheet Data

#### *Balance Sheet Mix*

The volume of fixed and current assets, equity, liabilities and provisions for liabilities, as well as their share in the total value of assets is presented in the table below:

**Table 6. Mix of Assets**

PLN m	31.12.2016	%	31.12.2015	%
<b>Fixed assets (long-term)</b>	<b>2 716,66</b>	<b>53,39%</b>	<b>2 651,11</b>	<b>52,84%</b>
Goodwill	862,82	31,76%	862,82	32,55%
Other intangible fixed assets	541,47	19,93%	551,86	20,82%
Tangible fixed assets	445,21	16,39%	461,88	17,42%
Investment in properties	0,99	0,04%	1,00	0,04%
Investments in subsidiary companies	825,06	30,37%	736,67	27,79%
Investments in associated companies - equity method	38,38	1,41%	34,53	1,30%
Other long-term financial assets	0,06	0,00%	0,06	0,00%
Long-term receivables	1,89	0,07%	1,87	0,07%
Long-term prepayments	0,79	0,03%	0,42	0,02%
<b>Current assets (short-term)</b>	<b>2 371,83</b>	<b>46,61%</b>	<b>2 365,81</b>	<b>47,16%</b>
Inventories	799,00	33,69%	733,50	31,00%
Trade receivables	1 310,85	55,27%	1 163,57	49,18%
Current income tax receivables	7,64	0,32%	10,59	0,45%
Other short-term receivables	90,22	3,80%	59,96	2,53%
Other short-term financial assets	35,43	1,49%	334,23	0,00%
Short-term prepayments	93,02	3,92%	42,71	1,81%
Cash and cash equivalents	35,67	1,50%	21,25	0,90%
<b>Razem aktywa</b>	<b>5 088,49</b>	<b>100,00%</b>	<b>5 016,92</b>	<b>100,00%</b>

**Table 7. Mix of Liabilities**

PLN m	31.12.2016	%	31.12.2015	%
<b>Equity</b>	<b>1 095,93</b>	<b>21,54%</b>	<b>1 187,11</b>	<b>23,66%</b>
Share capital	139,10	12,69%	138,83	11,69%
Supplementary capital	840,20	76,67%	468,72	39,48%
Hedge transactions valuation capital	(6,31)	-0,58%	(10,64)	-0,90%
Option for purchase/selling the shares	(69,19)	-6,31%	-	0,00%
Retained earnings	192,14	17,53%	590,20	49,72%
<b>Long-term liabilities</b>	<b>255,63</b>	<b>6,40%</b>	<b>180,43</b>	<b>4,71%</b>
Other long-term financial liabilities	149,31	58,41%	153,55	85,10%
Other long-term liabilities	70,02	46,90%	0,97	0,53%
Deferred income tax provision	33,42	13,07%	23,02	12,76%
Provision for employee benefits	2,89	1,13%	2,89	1,60%
<b>Short-term liabilities</b>	<b>3 736,92</b>	<b>93,60%</b>	<b>3 649,39</b>	<b>95,29%</b>
Short-term loans and credits	738,50	19,76%	675,95	18,52%
Other short-term financial liabilities	50,66	1,36%	37,55	1,03%
Trade liabilities	2 750,36	73,60%	2 725,18	74,68%
Other short-term liabilities	33,42	0,89%	61,14	1,68%
Provision for employee benefits	63,73	1,71%	59,10	1,62%
Other short-term provisions	100,25	2,68%	90,47	2,48%
<b>Liabilities</b>	<b>3 992,56</b>	<b>78%</b>	<b>3 829,81</b>	<b>76,34%</b>
<b>Total liabilities</b>	<b>5 088,49</b>	<b>100,00%</b>	<b>5 016,92</b>	<b>100,00%</b>

## ***Loan Agreements, Warranties and Collaterals***

### *Loan agreements*

Information on credit agreements concluded by Eurocash is presented in Note 19 to the separate financial statement for 2016.

### *Loans granted*

In 2016, Eurocash Group Companies did not grant any loans in the total value equivalent to 10% of the issuer's equity.

### *Sureties and guarantees*

Sureties and guaranties issued by the Eurocash Group companies are presented in note no. 31 to the separate financial statements for 2016.

## ***Issue of Securities and Bonds in 2016***

### *Issue of shares*

In 2016, 267 050 shares were issued in connection with the ordinary exercise of share options that were granted to key employees under incentive schemes.

### *Issue of securities and bonds*

At the end of 2016 Eurocash total nominal value of issued bonds amounted to:

- PLN 140.0 m bonds issued under the long-term bonds issue program
- PLN 21,0m bonds issued under the commercial paper program

In 2016 Eurocash SA has not issued, acquired or repaid other debt securities.

Information about incentive programs based on the issuance of Eurocash shares are presented in point. 6.7. of this report.

## **4.5 Key Off-balance Sheet Items**

Information on key off-balance sheet items for the Eurocash Group is provided in supplementary information to the annual separate financial statement, i.e. note no. 31 and 32.

## 4.6 Eurocash Cash Flow Analysis

### Cash flow Statement

**Table 8. Eurocash: Cash flows for 2016**

PLN m	2016	2015
Operating cash flow	40,48	774,17
<i>Gross profit (loss)</i>	<i>125,01</i>	<i>527,89</i>
<i>Depreciation</i>	<i>111,49</i>	<i>102,93</i>
<i>Change in working capital</i>	<i>(206,49)</i>	<i>466,55</i>
<i>Other</i>	<i>9,03</i>	<i>(324,17)</i>
Cash flow from investments	110,31	54,46
Cash flow from financing activities	(100,47)	(812,70)
<b>Total cash flow</b>	<b>50,32</b>	<b>15,92</b>

Total cash flow in 2016 amounted to PLN 50.32 m. Compared with previous year operating cash flow was lower due to the fact, that in 2015 it was generated by significant reduction of inventory level. In 2016 operational cash flow was additionally impacted by higher sales to clients serviced by active distribution formats and lower sales settled for cash.

### *Working capital rotation*

**Table 9. Eurocash: Consolidated Working Capital Ratios for 2016**

Turnover in days	2016	2015
1. Inventories turnover	20,56	19,47
2. Trade receivables turnover	33,73	30,89
3. Trade liabilities turnover	79,48	81,35
4. Operating cycle (1+2)	54,28	50,36
5. Cash conversion (4-3)	(25,20)	(30,99)

Cash conversion amounted to negative 25.20 days in 2016 compared to negative 30.99 in 2015.

## ***Evaluation of Funds Management***

The Eurocash generates positive cash flows from operations. All key investments carried out in 2016 were financed from own funds and credit facilities taken up.

The main base of liquidity management in Eurocash Group is internal model of forecasting cash flows. Eurocash uses two lines of credit to hedge the liquidity needs of the Group. Eurocash optimize liquidity at subsidiaries and the interest result using Cash pooling and the system of internal loans.

In the opinion of the Management Board, no significant financial risks exist related to the capacity of Eurocash companies to pay their liabilities. Key financial risk factors related to Eurocash Group operations are as follows:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

Analysis of these risk factors is presented in Note 32 in the part of the report which contains separate financial statements.

## **4.7 Investment Activity**

### **Major Investments Completed in 2016**

In 2016, the highest share in capital expenditures was noted in Cash&Carry stores, the development of Delikatesy Centrum franchise network, as well as investments in hardware and software solutions due to migration of Eurocash Distribution IT systems.

**Table 10. Key Investment Directions for Eurocash in 2016**

<i>PLN m</i>	<b>2016</b>	<b>2015</b>
<b>Total investment outlays</b>	<b>192.88</b>	<b>111.82</b>

## ***Assessment of Capacity to Carry out Anticipated Investments***

Key investments planned for 2017 are related to:

- Organic growth within the current structure of business units, and in particular:
  - Development of Delikatesy Centrum franchise chain including plans to introduce 80 new franchise stores into Delikatesy Centrum network.
  - Investment in innovative sales systems in Delikatesy Centrum chain

- Opening of 2 new Distribution Centers in Kraków and Sosnowiec, which will replace current Distribution Centers in Będzin and Czeladź
- Replacement investment
- Finalization of EKO Holding S.A. acquisition – which took place on 4<sup>th</sup> January 2017.

In order to finance the aforementioned investments, the Eurocash Group intends to use funds generated by the Group. If a decision is made that other significant investments should be undertaken, in the opinion of the Eurocash Management Board, the Eurocash Group has adequate credit repayment capacity to secure financing for such prospective investments.

#### ***4.8 Key Contributors to 2016 Financial Performance of Eurocash***

##### ***Equity Changes***

In the period between 1 January 2016 and 31 December 2016, 267 050 shares were issued as a result of exercising share option programs.

##### ***Dividend Payment***

In accordance with Resolution No. 5 adopted by the Annual General Meeting on 19th April 2016, persons who were shareholders of the Company on 11th May 2016, received a dividend of PLN 1.00 per one Company share. The total dividend paid on 31st May 2016 amounted to PLN 139,084,436.00

2016 did not see any significant events or factors which would have impact on the financial performance of the Eurocash Group noted in the period..

## 5. ADDITIONAL INFORMATION

### 5.1 Information on Court Proceedings

In 2016 Eurocash companies were not involved in any legal proceedings before court, a relevant arbitration authority, or a public administration body, the total value of which would which represent at least 10% of issuer's equity.

### 5.2 Information on Significant Agreements

In 2016, Eurocash entered into the following agreements considered significant for the business operations:

#### *Acquisition of 50% of shares in one of the largest Delikatesy Centrum franchisees*

On 29 January 2016 pursuant to the preliminary agreement of 18 September 2014, Eurocash executed with Hadrick Investments sp. z o.o, Jerzy Rogala and Ewelina Wójcik Rogala an agreement of acquisition of 50% shares in Firma Rogala. According to received information, in 2015, Firma Rogala generated approx. PLN 367 million in retail sales. The acquisition of a stake in Firma Rogala is aimed at developing a long-term partnership with one of the key franchisees, running 63 retail stores, ensuring the stable growth of the Delikatesy Centrum network and increasing Eurocash Group's revenue. For these reasons, the Management Board of Eurocash S.A. decided to recognize the Agreement as confidential information.

#### *Acquisition of 50% of shares in one of the largest Delikatesy Centrum franchisees*

On 16<sup>th</sup> December 2016 pursuant to the preliminary agreement of 15<sup>th</sup> April 2016 Eurocash S.A. executed with shareholders of FHC-2, M. Stodółka i Wspólnicy spółka jawna, FHC-2 spółka z ograniczoną odpowiedzialnością, Fructar spółka z ograniczoną odpowiedzialnością, Madas spółka z ograniczoną odpowiedzialnością, FHC-3 spółka z ograniczoną odpowiedzialnością an agreement of acquisition of 50% shares in FHC-2 Sp. z o.o. and Madas Sp. z o.o both based in Krosno. The acquired companies run totally 48 supermarkets under the brand Delikatesy Centrum and are located mainly in South-Eastern Poland. According to the received information, the total sales of acquired companies in 2016 amounted to app. PLN 284 million

#### *Acquisition of PDA shares*

On 30<sup>th</sup> December 2016 pursuant to the preliminary agreement of 21<sup>st</sup> December 2015 Eurocash S.A. acquired 100% of shares in the share capital in Polska Dystrybucja Alkoholi Sp. z o.o. Acquisition will increase share of Eurocash Group in alcohol distribution segment in Poland. According to the received information, the total sales of the company in 2016 amounted to app. PLN 264 million

#### *Execution of a significant agreement with Marie Brizard Wine&Spirits Polska Sp. z o.o*

On 29 November 2016 Eurocash entered into an agreement with Marie Brizard Wine&Spirits Polska Sp. z o.o., acting as the supplier and Eurocash Serwis Sp. z o.o., acting as the distributor on distribution of alcoholic beverages.

MWBS specializes in production and wholesale of strong alcoholic beverages. The Agreement constitutes a continued cooperation between the Eurocash Group and MBWS and increases the volume of goods offered by MBWS distributed by the Eurocash Group.

The Agreement provides for contractual penalties in case the conditions of sale deteriorate in comparison with the conditions determined therein. The Agreement does not specify the maximum amount of such contractual penalties. Under the Agreement, the Distributors are entitled to seek compensation exceeding the value of due contractual penalties.

The Agreement has been executed for 3 years; after the expiry of that term, the Agreement will be automatically converted into an agreement for an indefinite time (provided that no party expresses a wish to terminate the cooperation).

#### *Acquisition of 100% of shares in EKO Holding S.A*

On 4th January 2017 Eurocash acquired 100% of shares in EKO Holding S.A. with its registered office in Nowa Wieś Wrocławska ("EKO"). Thereby, Eurocash acquired a network of 248 grocery stores of EKO (operating mostly in south-western Poland), which will allow further development of the Eurocash Group and better use of its capability. According to the received information, the total sales of the company in 2016 amounted to app. PLN 950 million.

Apart of information provided in this report there are no other material factors which might influence the results of the Eurocash Group during the next quarter of the year.

### **5.3 Information on Transactions with Connected Entities**

#### *The surety by the subsidiaries in connection with the conclusion of the loan agreement*

In the 2016 companies belonging to Eurocash Group did not execute transactions with related parties otherwise than in the ordinary course of business on an arm's length basis. .

### **5.4 Information on Transactions with Connected Entities**

In the 2016 companies belonging to Eurocash Group did not execute other transactions with related parties otherwise than in the ordinary course of business on an arm's length basis.

## 5.5 Forecasts Publication

The Management Board of Eurocash S.A. did not publish financial forecasts for 2016 or 2017.

## 5.6 Changes in Key Management Principles

### *Resignation of member of the management board*

On 13th January 2017 Mr. David Boner resigned from function of Member of the Management Board of Eurocash, with effect on 13th January 2017.

### *Appointment of member of the management board*

On 22<sup>nd</sup> February 2017 Supervisory Board of Eurocash agreed the resolution regarding the appointment on 22<sup>nd</sup> February 2017 Mr. Przemysław Ciaś on the function of Member of the Management Board of Company.

2016 saw no other changes in key management principles.

## 5.7 Agreements with Members of the Management Board as Financial Compensation Guarantees

The Company did not enter into any agreements with the members of the Management Board which would provide compensation guarantees should members of the Management Board resign or be dismissed from their positions without a sound reason.

Agreements with the members of the Management Board anticipate that consist should the majority shareholder change in the Controlling Entity, i.e. the shareholder who holds at least 50% (fifty percent) and 1 (one) one share in Eurocash (Politra B.V.s.a.r.l), the notice period in respect of the agreement shall be 12 months.

## 5.8 Information on Registered Audit Company

The separate financial statements of Eurocash for 2016 were audited by KPMG Audyt Sp. z o.o. sp.k. on the basis of a contract concluded on 24<sup>th</sup> June 2016. The separate financial statements of Eurocash for 2015 were audited by KPMG Audyt Sp. z o.o. sp.k. on the basis of a contract concluded on 30<sup>th</sup> September 2015.

The total fees specified in the contract between Eurocash S.A. and the registered audit company payable or paid for the audit and the review of the consolidated financial statements and for other services are presented below:

:

**Table 11. Capital expenditures for audit and review of financial statements**

Thousands of PLN	<b>2016</b>	<b>2015</b>
Audit of financial statements	580,0	480,0
Review of financial statements	250,0	220,0
Other services	15,0	17,5
<b><i>Total capital expenditures</i></b>	<b>845,0</b>	<b>717,5</b>

## 6. STATEMENT ON CORPORATE GOVERNANCE RULES

### 6.1 Indication of Corporate Governance Rules Applicable to Issuer

Pursuant to § 29 Sec. 2 of the Warsaw Stock Exchange S.A. Rules in the wording adopted by virtue of the Stock Exchange Council Resolution No. 1/1110/2006 dated January 4, 2006, with further amendments, Eurocash S.A. (hereinafter, the "Company", "Issuer", "Eurocash") is obliged to apply the corporate governance rules set down in the document entitled "Good Practices of Companies Listed on the WSE", which constitutes an attachment to Resolution No. 12/1170/2007 of the Stock Exchange Council dated 4 July 2007 (amended by way of Resolution No. 17/1249/2010 of the Stock Exchange Council dated 19 May 2010 (hereinafter referred to as "Good Practices"), available on the following website [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl).

On 13 October 2015 the Stock Exchange Council adopted Rules setting down new corporate governance rules in the document of "Good Practices for Companies listed on Warsaw Stock Exchange 2016". Information regarding new rules implemented by Eurocash in 2016 is available on the website <http://eurocash.pl/relacje-inwestorskie/lad-korporacyjny.html>.

### 6.2 Shareholders structure

#### *Shareholders with Direct or Indirect Substantial Shareholding in Eurocash*

As at 31 December 2016 the structure of shareholders holding directly or indirectly large blocks of shares in Eurocash S.A. was as below.

**Table 12. Shareholders with Direct or Indirect Substantial Shareholding in Eurocash**

Shareholder	31.12.2016				31.12.2015			
	Number of shares	Share in share capital (%)	Number of shares	Share in total number of votes	Number of shares	Share in share capital (%)	Number of shares	Share in total number of votes
Luis Amaral (directly and indirectly through Politra B.V. S.à.r.l.)	60 615 240	43,58%	60 615 240	43,58%	60 615 240	43,66%	60 615 240	43,66%
Others	78 481 121	56,42%	78 481 121	56,42%	78 214 071	56,34%	78 214 071	56,34%
<b>Total</b>	<b>139096361</b>	<b>100,00%</b>	<b>139096361</b>	<b>100,00%</b>	<b>138829311</b>	<b>100,00%</b>	<b>138829311</b>	<b>100,00%</b>

**Number of Eurocash S.A. Shareholding Held by Management and Supervisory Members**

The number of company shares held by the management and supervisory members as at 31.12.2016 was as follows:

**Table 13. Shares in the company held by members of the management board and their rights to subscription**

	Eurocash shareholding		Share subscription rights	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
<i>Management Board</i>				
Luis Amaral (directly and indirectly through Politra B.V. S.à.r.l.)	60 615 240	60 615 240	0	0
Rui Amaral	347 025	347 025	50 000	50 000
Katarzyna Kopaczewska	330 000	305 000	0	25 000
Arnaldo Guerreiro	325 500	300 500	0	25 000
Pedro Martinho	818 050	843 050	0	0
Jacek Owczarek	58 500	33 500	0	25 000
David Boner	0	0	0	0
Przemysław Ciaś	Not applicable	Not applicable	Not applicable	Not applicable

**Table 14. Shares in the company held by supervisory board and rights to subscription**

	Eurocash shareholding		Share subscription rights	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
João Borges de Assuncao	0	0	0	0
Eduardo Aguinaga de Moraes	0	0	0	0
Francisco José Valente Hipólito dos Santos	0	0	0	0
Hans Joachim Körber	0	0	0	0
Jacek Sz wajcowski	0	0	0	0

**Bearers of All Securities which Grant Special Control Rights and Discussion of Entitlements**

No securities which would grant neither special control rights nor preferential shares are noted in the Company. However, the Articles of Association of the Company grant personal rights to a specific shareholder. Pursuant to § 13 Sec. 2 of the Articles of Association, should Politra B.V., organized and operating under Dutch law, or any of its legal successor, continues to be a shareholder with 30% or more shareholding in the Company's share capital, it will have the right to appoint and recall 3 (three) Members of the Supervisory Board of Eurocash.

### ***Restrictions regarding Exercising Right to Vote***

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

A prohibition on exercising the right to vote by the shareholder may result from art. 89 of the Act dated July 29, 2005 on Public Offerings, and Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (hereinafter "Act on Offering"), should the shareholder violate specified provisions set forth in Chapter 4 of the Act on Offering. Pursuant to art. 6 § 1 of the Commercial Companies Code, should the controlling entity fail to notify the controlled capital company about the introduction of the dominant relationship within two weeks of the start of the relationship, the right to vote carried by shareholding in the controlling entity which represents over 33% of the share capital of the controlled company is suspended.

### ***Restrictions regarding Transfer of Ownership Rights to Securities of Issuer***

The Articles of Association do not provide for any restrictions regarding the transfer of ownership rights to securities of the Issuer. The restrictions, however, arise from the provisions of law, including hereinabove mentioned Chapter 4 of the Act on Offering, art. 11 and 19 and Part VI of the Act dated July 29, 2005 on Trading in Financial Instruments, Act dated February 16, 2007 on the Protection of Competition and Consumers as well as Council Directive (EC) No. 139/2004 dated January 20, 2004 on the control of business consolidations.

### ***Agreements which May Result in Changes of Blocks of Shares Held***

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

### 6.3 The parent's governing bodies

#### **Management Board**

*Composition of the Management Board, changes thereto and rules of appointment*

The Company's management body is the Management Board. The Management Board of the Parent is composed of seven members. The composition of the Management Board in the period January 1<sup>st</sup> – December 31<sup>st</sup> was as presented in the table 20.

**Table 15. The composition of the Management Board in 2016**

Luis Manuel Conceicao do Amaral	President of the Management Board
Rui Amaral	Member of the Management Board - CEO
Arnaldo Guerreiro	Member of the Management Board
Pedro Martinho	Member of the Management Board
Jacek Owczarek	Member of the Management Board – Financial Director
Katarzyna Kopaczewska.	Member of the Management Board – HR Director
David Boner	Member of the Management Board

On 13th January 2017 Mr. David Boner resigned from function of Member of the Management Board of Eurocash, with effect on 13th January 2017.

On 22<sup>nd</sup> February 2017 Supervisory Board of Eurocash agreed the resolution regarding the appointment on 22<sup>nd</sup> February 2017 Mr. Przemysław Ciaś on the function of Member of the Management Board of Company.

#### **Powers of the Management Board**

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

The work of the Management Board is headed by the President of the Management Board. All members of the Management Board are obliged and entitled to jointly manage the Company's affairs, in particular in the following scopes:

- (i) determine the long- and medium-term development strategy as well as main objectives of the Company operations, increase the Company value to the shareholders and report them to the Supervisory Board, review the level of achievement of such goals and modify them if necessary

- (ii) define the Company's financial goals
- (iii) implement and follow through the long- and medium-term development strategy as well as the main Company's operating objectives and financial goals
- (iv) analyze major investment projects and related methods of funding
- (v) determine the principles of HR and remuneration policies, including:
  - appointment of the Company's key management staff
  - determining principles of employment, remuneration, and HR policies, as well as conducting a periodical analysis of the HR situation in the Company
- (vi) establish the Company's organizational structure
- (vii) approve the annual and/or long-term Company's budget
- (viii) determine an internal division of duties and responsibilities for Management Board Members
- (ix) set down Rules and other internal regulations of the Company unless the provisions of law or Articles of Association provide otherwise
- (x) take decisions on matters of exceptional importance as well as matters and transactions which may constitute material risk to the Company in line with the justified opinion of the Management Board Member
- (xi) request that the Supervisory Board submit an appraisal of draft resolutions which are to be presented to Shareholders at the Shareholders' Meeting
- (xii) any other actions which go beyond the ordinary management of the Company

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

The Management Board may adopt resolutions at the Management Board meeting or outside the Management Board meeting in writing or as facilitated by remote communication tools. Resolutions of the Management Board are adopted by a simple majority of votes cast by Management Board members. Minutes of the resolutions are taken. Proper notification of the meeting to all Management Board members is required for the validity of the Management Board resolutions.

Detailed Management Board procedures are defined in Management Board Rules adopted by the Management Board and approved by the Supervisory Board. The content of the most up-to-date Management Board Rules is available at:

<http://eurocash.pl/pub/eng/uploaddocs/lad-korporacyjny-zalaczniki/regulamin-zarzadu-2008-ang.3166178158.pdf>

### **Remuneration, bonuses and employment contract terms of the Management Board Members**

Information on remuneration paid to the members of the Management Board in 2016 is provided in the section of the annual report which contains the annual consolidated financial statements, in note n. 29

### **Supervisory Board**

*Composition of the Supervisory Board, changes thereto and rules of appointment*

The Supervisory Board is composed of 5 members, whereby the right to appoint and recall 3 (three) members of the Supervisory Board is held by Politra B.V.S.a.r.l. (or its legal successor) as specified above, while 2 members of the Supervisory Board are appointed and recalled by the General Shareholders' Meeting. The Supervisory Board member may be recalled only when the action is accompanied by a simultaneous appointment of the new Supervisory Board member.

The composition of the Supervisory Board in the period January 1<sup>st</sup> – December 31<sup>st</sup> was as presented in the table below.

**Table 16. The composition of the Supervisory Board in 2016**

João Borges de Assuncao	Chairman of the Supervisory Board
Eduardo Aguinaga de Moraes	Member of the Supervisory Board
Francisco José Valente Hipólito dos Santos	Member of the Supervisory Board
Hans Joachim Körber	Member of the Supervisory Board
Jacek Szwajcowski	Member of the Supervisory Board

The status of independent Supervisory Board members is held by the following persons:

- (i) Mr. Jacek Szwajcowski and Hans Joachim Körber as Supervisory Board members, appointed by the Company's General Shareholders' Meeting, and
- (ii) Mr. João Borges de Assunção, Eduardo Aguinaga de Moraes, appointed by Politra B.V. S.a.r.l., which submitted representations which meet criteria of an independent Supervisory Board member.

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

The Board selects its President from amongst its members. The Supervisory Board may also recall the President of the Board from his function. The Supervisory Board exercises an on-going supervision of Company operations in all areas.

### ***Powers of the Supervisory Board***

Pursuant to § 14 Sec. 2 of the Issuer's Statutes, powers of the Supervisory Board include, in particular:

- (i) review and assessment of the Management Board's report on the Company's activities and the Company's financial statements for their consistency with accounting books and documentation, as well as the actual state of affairs
- (ii) assessment of the Management Board's recommendations concerning distribution of profit or loss cover
- (iii) submitting to the General Shareholders' Meeting an annual written report on the results of the assessment referred to above
- (iv) appointing and recalling, as well as suspending Members of the Management Board for an important reason
- (v) issuing opinions on planned amendments to the Company's Articles of Association
- (vi) approving annual budgets drafted by the Management Board and amendments to such budgets no later than by 30 November of each calendar year
- (vii) issuing opinions on granting loans or financial assistance as well as concluding agreements with any Member of the Management Board which fall outside an ordinary course of business
- (viii) electing an expert auditor to examine the Company's financial statements
- (ix) adopting a uniform text of the Articles of Association
- (x) other matters which require a resolution of the Supervisory Board under binding legal regulations or other provisions of the Articles of Association

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

- (i) decisions concerning joint-ventures with other entities
- (ii) decisions concerning mergers with other entities as well as acquisitions of other entities or enterprises
- (iii) incurring any liability in excess of PLN 100,000,000 and the encumbrance on the Company's assets with a value in excess of PLN 150,000,000 if such transactions have not been provided for in the annual budget
- (iv) sale or lease or transfer of the Company's assets with the value in excess of EUR 1,000,000 or its zloty equivalent if such a transaction has not been provided for in the annual budget
- (v) issuing opinions concerning the determination and changes in remuneration levels or terms of employment of Management Board Members
- (vi) raising, issue, taking up or disposal of shares in another subsidiary entity
- (vii) development and modification of any stock option scheme or an incentive scheme of a similar nature for the Company's management and employees
- (viii) the conclusion of a material agreement by the Company with a related entity as interpreted by the regulations concerning the submission of current and periodical information by issuers whose shares are quoted on the Stock Exchange in Warsaw S.A. except for standard

transactions concluded on market terms as part of company operations entered into by the Company with its subsidiary entity in which the Company is a majority shareholder

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

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

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

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

<http://eurocash.pl/pub/eng/uploaddocs/lad-korporacyjny-zalaczniki/unified-text-of-sb-by-laws-2009.2598766460.pdf>

### ***Remuneration, bonuses and employment contract terms of the Supervisory Board Members***

Information on remuneration paid to the members of the Supervisory Board in 2016 is provided in the section of the annual report which contains the annual consolidated financial statements, in note n.  
29

### ***Supervisory Board Committees***

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

- (i) the Audit Committee, and
- (ii) the Remunerations Committee

The members of each of the said committees are selected by the Supervisory Board where the Remunerations Committee should include at least one independent Supervisory Board member while

the Audit Committee should include at least two independent Supervisory Board members and one member who is a financial specialist, i.e. a person having pertinent experience in finance management and accountancy in public companies or other companies of comparable size.

Responsibilities of the Audit Committee include as follows:

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

The Audit Committee is composed of the following members: Francisco José Valente Hipólito dos Santos (Chairman), Eduardo Aguinaga de Moraes and Jacek Szwajcowski.

Responsibilities of the Remunerations Committee include as follows:

- (i) reporting to the Supervisory Board of the existence of a remuneration policy for the Management Board, which is known to the Remunerations Committee in sufficient detail, including (a) the remuneration structure, (b) the amount of fixed remuneration, (c) the shares and/or options and/or other variable remuneration components and other forms of remuneration, as well as the performance criteria and the application thereof by Management Board Members
- (ii) each year, submitting a proposal for the Supervisory Board's approval for an appraisal concerning the compliance of the remuneration policy for the Management Board and application thereof with regard to the desired standards of corporate governance
- (iii) ensuring the disclosure to the Supervisory Board of the remuneration of the Management Board resulting from an implementation of the remuneration policy
- (iv) each year, submitting a self-assessment in the form of an annual report of its performance to be included as part of the Supervisory Board's annual report and to be presented at the Ordinary General Meeting of Shareholders.

The Remunerations Committee is composed of the following members: Messrs Eduardo Aguinaga de Moraes (Chairman), Francisco José Valente Hipólito dos Santos and Hans Joachim Körber.

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

<http://eurocash.pl/pub/eng/uploaddocs/lad-korporacyjny-zalaczniki/unified-text-of-sb-by-laws-2009.2598766460.pdf>

### ***General Shareholders' Meeting***

The manner of conduct applicable to the General Shareholders' Meeting and its fundamental powers follow directly from the provisions of law which were partly incorporated in the Statutes and By-laws of the Company's General Shareholders' Meeting. Both the Statutes and the By-laws of the General Shareholders' Meeting are available on the Company's website at the following link:

<http://eurocash.pl/pub/eng/uploaddocs/lad-korporacyjny-zalaczniki/unified-text-of-gm-by-laws-2009.3341172403.pdf>

As of 3 August 2009, in line with § 15 item 3 of the Statutes and in line with § 1 item 3 of the By-laws of the Company's General Shareholders' Meeting, the Meeting is convened by way of an announcement which contains all items stipulated in art. 402 of the Commercial Companies' Code, made no later than 26 days prior to the date of the General Shareholders' Meeting by way of posting the announcement on the Company's website in line with the provisions of binding information submission stipulated in the Act on Offering.

Each General Shareholders' Meeting should be attended by members of the Supervisory Board and the Management Board in the number which will facilitate a provision of technical answers to queries rose in the course of the Meeting. A chartered auditor should attend the Annual Ordinary General Meeting of Shareholders as well as the Extraordinary General Meeting of Shareholders if financial matters of the Company are discussed. Members of the Supervisory Board, the Management Board and the chartered auditor should offer explanations and supply information related to the Company within their discretion and to the extent necessary for the resolution of matters discussed in the Meeting.

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

According to the Articles of Association, the powers of the General Meeting include in particular:

- (i) review and approval of the Management Board Report on the operations of the Company and financial statements for the previous financial year, and granting approval to members of the Company's governing bodies for the performance of their duties
- (ii) decisions concerning claims to remedy damage inflicted at the time of the Company's establishment or in connection to its management by the Management Board
- (iii) sale or lease of the enterprise or an organized part thereof as well as the creation of limited property rights therein
- (iv) creation of the Company's capitals and funds and their allocation
- (v) approval of the Company's long-term strategic plans
- (vi) adopting resolutions on the distribution of profit and loss cover
- (vii) amending the Articles of Association
- (viii) increasing and decreasing the Company's share capital
- (ix) dissolution or liquidation of the Company
- (x) authorization for the Company to enter into a standby or firm commitment underwriting agreements
- (xi) appointment or dismissal of two members of the Supervisory Board
- (xii) setting down the rules for and levels of remuneration of members of the Supervisory Board
- (xiii) adopting the Rules of the Supervisory Board
- (xiv) dismissal or suspension of members of the Management Board
- (xv) adopting the Rules of the General Meeting
- (xvi) taking decisions in other matters which rest within the exclusive competence of the General Meeting pursuant to the provisions of the Commercial Companies Code or other laws or pursuant to the Company's Statutes

#### ***Discussion of Amendments to Issuer's Statutes***

A resolution adopted by the Shareholders' Meeting concerning amendments to the Statutes must be preceded by an appraisal issued by the Company's Supervisory Board. Amendments to the provisions of the Statutes which consist in material changes to the subject matter of the Company's business operations without share buyout from shareholders who do not consent to the amendments requires that the resolution of the General Shareholders' Meeting be adopted by the majority of  $\frac{3}{4}$  votes cast in the presence of shareholders who represent at least 50% of the Company's share capital.

Amendments to the provisions of the Statutes which concern a decrease in the Company's share capital requires that the resolution of the General Shareholders' Meeting be adopted by the majority of  $\frac{3}{4}$  votes.

Amendments to the provisions of the Statutes which concern any other matters require that the resolution of the General Shareholders' Meeting be adopted by the absolute majority of votes unless the provisions of the Commercial Companies Code or the Act on Offering stipulate otherwise.

***Discussion of Premises for Appointing and Recalling Management Staff and Their Entitlements - in particular Right to Take Decisions on Share Issue or Buyout***

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

The scope of activities of the Management Board includes any and all affairs of the Company not reserved for the powers of the General Shareholders' Meeting and the Supervisory Board. The range of powers of the General Shareholders' Meeting and the scope of powers of the Supervisory Board are defined in Point 7.3 of the Report. The Management Board manages the affairs of the Company and represents the Company externally.

The Management Board may decide on the share buyout in circumstances and on terms determined in commonly applicable provisions of law. The detailed rules governing the functioning of the Management Board are stipulated in Point 7.3 of the Report.

## **6.4 Information on Employee Shares Control System**

Incentive schemes based on the issue of Eurocash S.A. shareholding are specified below.

No.	Legal Basis	Number and Class of Eurocash Shares	Determined or Projected* Issue Price	Option Exercise Date
1.	Resolution No. 3 of the Extraordinary Shareholders' Meeting of Eurocash S.A. dated 26 November 2012 regarding the Eighth, Ninth and Tenth Incentive and Bonus Scheme for Employees	850.000 Class M Shares	PLN 38	from 1 February 2015 to 31 January 2017
		850.000 Class N Shares	Goal not achieved.	Not applicable
		850.000 Class O Shares	Goal not achieved.	Not applicable

### ***Forecasted Costs Connected with Incentive Schemes Introduced***

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

According to the model, the value of options is calculated in line with the following parameters:

- **Grant date:** For incentive schemes based on the issue of M shares, the start of the option exercise period was set as the grant date whereas the date of adopting the resolution of the General Assembly which approved the list of entities entitled to take up shares.
- **Option exercise date:** For all schemes the start of the option exercise period was assumed as the option exercise date.
- **Risk-free rate:** This value is estimated based on the average field of Treasury Bonds with the tenor closest to the option strike date as at the valuation date.
- **Volatility:** Calculated based on historical volatility of daily returns of Eurocash shares on the Warsaw Stock Exchange (WSE), taking into account 250 trading sessions prior to the valuation date.
- **Option strike price:** In accordance with the principles of programs based on the shares of Series M exercise price of the options is PLN 38.00.
- **Base (current) stock price:** It is the Eurocash share price at the close of the trading session on WSE as at the valuation date.

In 2016, no cost related to the valuation of incentive schemes was observed, while in 2015 such costs amounted to PLN 1,013,543.00.

#### ***Key Features of Internal Control and Risk Management Systems Applied by the Company in Drafting Financial Statements***

The Management Board of the Controlling Entity is responsible for the Group's internal control system and its effectiveness in the process of drafting financial statements and periodical reports drawn up and published in accordance with the stipulations set forth in the Decree dated February 19, 2009 on current and periodical information submitted by issuers of securities and on terms on which information required under the provisions of law of a country not being a member country is recognized as equivalent.

The Management Board of the Controlling Entity is responsible for mapping out and following the risk management policy. To ensure that these duties are carried out, the Management Board appointed the Risk Management Team which is responsible for developing and monitoring the risk management policy. The Team regularly submits reports on its work progress to the Management Board.

The Risk Management Team was appointed to identify and analyze risks related to the Group's operations and to establish adequate risk controls and risk limits as well as to monitor deviations noted from the limits. The risk management policy and system are reviewed on a regular basis so that they reflect ongoing changes in market conditions and the Group's operations. The Group strives to achieve a disciplined and constructive control of the environment where every employee would understand their roles and duties through skills (qualifications) enhancement and an application of standards and procedures by the Group.

The Financial Department of the Controlling Entity headed by the Financial Director is in charge of drafting consolidated financial statements and periodical reports of the Group. Financial data which is

the basis for consolidated financial statements and periodical reports are sourced from monthly financial and management reporting applied by the Group's member companies. After each calendar month is closed for accounting purposes, middle and top management jointly analyzes the companies' financial performance against relevant budget assumptions.

One of the basic elements of control in the process of drafting consolidated financial statements is the review of consolidated financial statements by an independent auditor. The auditor's primary task is to review the semi-annual financial statements and carry out a preliminary and basic examination of the consolidated annual statements. The independent auditor is elected by the Company's Supervisory Board. The audited financial statements are forwarded to the members of the Supervisory Board of the Controlling Entity for the review of the Group's financial statements.

Internal control exercised by the Internal Audit Department of the Controlling Entity is an important element of risk management in the process of drafting financial statements. Duties of the Department include the implementation of the risk management policy and procedures. The Internal Audit Department carries out both scheduled audits as well as ad hoc checks on procedures.

The annual program of the planned internal audits is developed on the basis of the risk assessment of business processes carried out by the Internal Audit Director in cooperation with the Management Board of the Controlling Entity. The planned audits are supplemented by ad hoc audits carried out at the request of the Management Board of the Controlling Entity as well as review audits concerning recommendations for enhanced control mechanisms across the Group.

The Company conducts an annual review of both business strategy and plans. The budgeting process is supported by the Group's middle and top management. The budget and business plan drafted for the subsequent year is adopted by the Management Board of the Controlling Entity and approved by the Supervisory Board. During the year, the Management Board of the Controlling Entity analyses financial performance against budget adopted in line with the Group's adopted accounting policy.

The Management Board of the Controlling Entity systematically evaluates the quality of internal control and risk management systems in relation to the process of drafting consolidated financial statements. In line with such evaluation, the Management Board of the Controlling Entity declared that as at December 31, 2015 no weaknesses existed which could have a material adverse effect on the effectiveness of internal controls as far as financial reporting is concerned.

## **7. REPRESENTATIONS OF THE MANAGEMENT BOARD**

### **7.1 Accuracy and Reliability of Reports Presented**

Members of the Management Board of Eurocash S.A. represent that - to their best knowledge:

- the consolidated annual financial statements for the Eurocash S.A. capital group and comparative data were drawn up in accordance with the applicable accounting principles and give, diligent, and transparent view of the economic and financial position of the Eurocash Group and of its financial performance for 2016
- the report of the Management Board on business operations of Eurocash S.A. in 2016 contains a true view of the development, achievements, and the position of Eurocash S.A. , including the discussion of main risks and threats.

### **7.2 Appointment of Entity Qualified to Audit Financial Statements**

The members of the Management Board of Eurocash S.A. represent that KPMG Audyt Sp. z o.o. sp.k., the entity qualified to audit financial statements which audited the annual consolidated financial statements of the Eurocash Group was appointed in line with the applicable laws and regulations. The entity and the auditors involved met the criteria to formulate an impartial and independent opinion on the audit of the annual consolidated financial reports in line with the applicable provisions of law and professional standards.

## **APPENDIX A: Financial Ratios Definitions**

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

**SIGNATURES OF MANAGEMENT BOARD MEMBERS**

<b>Position</b>	<b>Name and surname</b>	<b>Date</b>	<b>Signature</b>
President	Luis Amaral	15 <sup>th</sup> March 2017	
Management Board Member Chief Executive Officer	Rui Amaral	15 <sup>th</sup> March 2017	
Management Board Member	Arnaldo Guerreiro	15 <sup>th</sup> March 2017	
Management Board Member	Pedro Martinho	15 <sup>th</sup> March 2017	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	15 <sup>th</sup> March 2017	
Management Board Member Financial Director	Jacek Owczarek	15 <sup>th</sup> March 2017	
Management Board Member	Przemysław Ciaś	15 <sup>th</sup> March 2017	

## SELECTED SEPARATE FINANCIAL DATA

	for the period from 01.01.2016 to 31.12.2016 PLN	for the period from 01.01.2015 to 31.12.2015 PLN	for the period from 01.01.2016 to 31.12.2016 EUR	for the period from 01.01.2015 to 31.12.2015 EUR
Net sales	14 225 192 888	13 750 715 992	3 260 789 201	3 286 578 549
Operating profit (loss)	134 977 272	197 393 556	30 940 349	47 179 320
Profit (loss) before tax	125 010 194	527 891 583	28 655 632	126 172 132
Net Profit (loss) on continued operations	102 614 073	500 681 214	23 521 851	119 668 542
Net profit (loss)	102 614 073	500 681 214	23 521 851	119 668 542
Net operating cash flow	40 480 904	774 170 775	9 279 290	185 035 679
Net investment cash flow	110 310 155	54 455 174	25 285 996	13 015 410
Net financial cash flow	(100 474 074)	(812 704 819)	(23 031 306)	(194 245 756)
Net change in cash and cash equivalents	50 316 986	15 921 130	11 533 979	3 805 332
Weighted average number of shares	139 023 791	138 697 752	139 023 791	138 697 752
Weighted average diluted number of shares	139 120 988	138 761 353	139 120 988	138 761 353
EPS (in PLN / EUR)	0,74	3,61	0,17	0,86
Diluted EPS (in PLN / EUR)	0,74	3,61	0,17	0,86
Average PLN / EUR rate*			4,3625	4,1839
	as at 31.12.2016 PLN	as at 31.12.2015 PLN	as at 31.12.2016 EUR	as at 31.12.2015 EUR
Assets	5 088 491 488	5 016 924 491	1 150 201 512	1 177 267 275
Long-term liabilities	255 634 872	180 427 849	57 783 651	42 339 047
Short-term liabilities	3 736 923 837	3 649 385 875	844 693 453	856 361 815
Equity	1 095 932 779	1 187 110 767	247 724 408	278 566 413
Share capital	139 096 361	138 829 311	31 441 311	32 577 569
Number of shares	139 096 361	138 829 311	139 096 361	138 829 311
Diluted number of shares	139 530 636	139 530 636	139 530 636	139 530 636
Book value per share (in PLN / EUR)	7,88	8,55	1,78	2,01
Diluted book value per share (in PLN / EUR)	7,85	8,51	1,78	2,00
Declared or paid dividend (in PLN / EUR)***	139 084 436	109 451 447	31 438 616	25 683 784
Declared or paid dividend per share (in PLN / EUR)	1,00	0,79	0,23	0,19
PLN / EUR rate at the end of the period**			4,4240	4,2615

\* Profit and loss items and cash flow items calculated on basis at a weighted average rate announced by the National Bank of Poland for year 2016.

\*\* Balance sheet items and book value per share have been converted using the official mid-rates announced by the National Bank of Poland prevailing on the balance sheet date.

\*\*\* Dividend for 2015 year was paid till 31 May 2016 for shareholders of Parent Company as at 11 May 2016.



# Eurocash S.A.

**Opinion and Report  
of the Independent Auditor  
Financial Year ended  
31 December 2016**

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Biuro w Poznaniu  
ul. Roosevelta 18  
60-829 Poznań, Polska  
Tel. +48 (61) 845 46 00  
Faks +48 (61) 845 46 01  
poznan@kpmg.pl

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

## **OPINION OF THE INDEPENDENT AUDITOR**

*To the General Meeting of Eurocash S.A.*

### **Opinion on the Separate Financial Statements**

We have audited the accompanying separate financial statements of Eurocash S.A., with its registered office in Komorniki, Wiśniowa 11 Street ("the Company"), which comprise the separate statement of financial position as at 31 December 2016, the separate income statement, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

### **Management's and Supervisory Board's Responsibility for the Separate Financial Statements**

Management of the Company is responsible for the preparation, on the basis of properly maintained accounting records, of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union and with other applicable regulations. Management of the Company is also responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2016, item 1047 with amendments) ("the Accounting Act"), Management of the Company and members of the Supervisory Board are required to ensure that the financial statements are in compliance with the requirements set forth in the Accounting Act.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the resolution dated 10 February 2015 of the National Council of Certified Auditors as National Standards on Assurance. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### *Opinion*

In our opinion, the accompanying separate financial statements of Eurocash S.A.:

- give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2016 and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union;
- comply, in all material respects, with the applicable regulations and the provisions of the Company's articles of association that apply to the Company's financial statements; and
- have been prepared from accounting records, that, in all material respects, have been properly maintained.

#### **Specific Comments on Other Legal and Regulatory Requirements**

##### *Report on the Company's Activities*

Management of the Company is responsible for the report on the Company's activities.

Our opinion on the separate financial statements does not cover the report on the Company's activities.

As required by the Accounting Act, and the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (Official Journal from 2014, item 133 with amendments) (the "Decree") we report that the accompanying report on the Company's activities includes the information required by Art. 49 of the Accounting Act and the Decree and the information is consistent, in all material respects, with the separate financial statements. Furthermore, based on our knowledge about the Company and its environment obtained in the audit, we have not identified material misstatements in the report on the Company's activities.

As required by the Accounting Act and the Decree we report that the statement of corporate governance, which is a separate part of the report on the Company's activities, includes the information required by paragraph 91 subparagraph 5 point 4 letter a, b, j and k of the Decree. Furthermore we report that the information identified in paragraph 91 subparagraph 5 point 4 letter c, d, e, f, h and i of the Decree, included in the statement of corporate governance, in all material respects:

- has been prepared in accordance with the applicable regulations; and
- is consistent with the information contained in the separate financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Registration No. 3546  
ul. Inflancka 4A  
00-189 Warsaw

*Signed on the Polish original*

.....  
Wojciech Drzymała  
Key Certified Auditor  
Registration No. 90095  
Limited Liability Partner with power of attorney

15 March 2017



# Eurocash S.A.

**Report on the audit  
of the separate financial statements**

**Financial Year ended  
31 December 2016**

## **Eurocash S.A.**

The report on the audit of the separate financial statements  
for the financial year ended 31 December 2016

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

## **Contents**

<b>1.</b>	<b>General</b>	<b>3</b>
1.1.	General information about the Company	3
1.1.1.	Company name	3
1.1.2.	Registered office	3
1.1.3.	Registration in the register of entrepreneurs of the National Court Register	3
1.1.4.	Management of the Company	3
1.2.	Key Certified Auditor and Audit Firm Information	3
1.2.1.	Key Certified Auditor information	3
1.2.2.	Audit Firm information	4
1.3.	Prior period financial statements	4
1.4.	Audit scope and responsibilities	4
<b>2.</b>	<b>Financial analysis of the Company</b>	<b>6</b>
2.1.	Summary analysis of the separate financial statements	6
2.1.1.	Separate statement of financial position	6
2.1.2.	Separate income statement	7
2.1.3.	Separate statement of comprehensive income	8
2.2.	Selected financial ratios	9
<b>3.</b>	<b>Detailed report</b>	<b>10</b>
3.1.	Accounting system	10



**Eurocash S.A.**

The report on the audit of the separate financial statements  
for the financial year ended 31 December 2016

TRANSLATION

## **1. General**

### **1.1. General information about the Company**

#### **1.1.1. Company name**

Eurocash S.A.

#### **1.1.2. Registered office**

Wiśniowa 11  
61-052 Komorniki

#### **1.1.3. Registration in the register of entrepreneurs of the National Court Register**

Registration court:	District Court in Poznań – Nowe Miasto and Wilda , VIII Commercial Department of the National Court Register
Date:	30 July 2004
Registration number:	KRS 0000213765
Share capital as at the end of the reporting period:	PLN 139,096,361.00

#### **1.1.4. Management of the Company**

The Management Board is responsible for management of the Company.

As at 31 December 2016, the Management Board of the Company was comprised of the following members:

- |                                   |                                      |
|-----------------------------------|--------------------------------------|
| • Luis Manuel Conceicao do Amaral | – President of the Management Board, |
| • Pedro Martinho                  | – Member of the Management Board,    |
| • Katarzyna Kopaczewska           | – Member of the Management Board,    |
| • Arnaldo Silvestre Guerreiro     | – Member of the Management Board,    |
| • Rui Amaral                      | – Member of the Management Board,    |
| • Jacek Owczarek                  | – Member of the Management Board,    |
| • David Boner                     | – Member of the Management Board.    |

On 13 January 2017 Mr. David Boner resigned from the position of Member of the Management Board.

According to the Supervisory Board's resolution dated 22 February 2017, Mr. Przemysław Ciał was appointed to the position of Member of the Management Board.

## **1.2. Key Certified Auditor and Audit Firm Information**

### **1.2.1. Key Certified Auditor information**

Name and surname:	Wojciech Drzymała
Registration number:	90095



**Eurocash S.A.**

The report on the audit of the separate financial statements  
for the financial year ended 31 December 2016  
*TRANSLATION*

### **1.2.2. Audit Firm information**

Name:	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Address of registered office:	ul. Inflancka 4A, 00-189 Warsaw
Registration number:	KRS 0000339379
Registration court:	District Court for the Capital City of Warsaw in Warsaw, XII Commercial Department of the National Court Register
NIP number:	527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered into the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

### **1.3. Prior period financial statements**

The separate financial statements as at and for the financial year ended 31 December 2015 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. and received an unmodified opinion.

The separate financial statements were approved at the General Meeting on 19 April 2016 where it was resolved to distribute the net profit for the prior financial year of PLN 500,681,214.00 as follows:

- PLN 361,596,778.00 was transferred to the reserve capital,
- PLN 139,084,436.00 was transferred for a dividend payment.

The separate financial statements were submitted to the Registration Court on 27 April 2016.

### **1.4. Audit scope and responsibilities**

The audited Company prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of Supervisory Board dated 11 April 2005.

The separate financial statements were audited in accordance with the contract dated 24 June 2016, concluded on the basis of the resolution of the Supervisory Board on the appointment of the auditor.

We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2016, item 1047 with amendments) ("the Accounting Act") and International Standards on Auditing as adopted by the resolution dated 10 February 2015 of the National Council of Certified Auditors as National Standards on Assurance.

We audited the separate financial statements at the Company during the period from 21 November to 2 December 2016 and from 23 January to 10 February 2017.

Management of the Company is responsible for the preparation, on the basis of properly maintained accounting records, of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations. Management of the Company is also responsible for the Report on the Company's activities.

Our responsibility is to express an opinion and to prepare a report on the audit of the separate financial statements based on our audit.

Management of the Company submitted a statement, dated as at the same date as this report, as to the preparation of the separate financial statements that give a true and fair view, which



**Eurocash S.A.**

The report on the audit of the separate financial statements  
for the financial year ended 31 December 2016

*TRANSLATION*

confirmed that there were no undisclosed matters which could significantly influence the information presented in the separate financial statements.

All required statements, explanations and information were provided to us by Management of the Company and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants' as adopted by the resolution of National Council of Certified Auditors dated 13 June 2011 ("IESBA Code") and the impartiality and independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2016, item 1000) and have fulfilled other ethical responsibilities in accordance with these regulations and the IESBA Code.

**Eurocash S.A.**

The report on the audit of the separate financial statements  
for the financial year ended 31 December 2016  
TRANSLATION

## 2. Financial analysis of the Company

### 2.1. Summary analysis of the separate financial statements

#### 2.1.1. Separate statement of financial position

ASSETS	31.12.2016 PLN '000	% of total	31.12.2015 PLN '000	% of total
<b>Non-current assets (long-term)</b>	<b>2,716,658.9</b>	<b>53.4</b>	<b>2,651,110.5</b>	<b>52.8</b>
Goodwill	862,819.8	17.0	862,819.8	17.2
Intangible assets	541,468.9	10.6	551,860.7	11.0
Property, plant and equipment	445,211.8	8.7	461,882.7	9.2
Investments in properties	988.5	0.0	1,004.2	0.0
Investments in subsidiaries	825,056.5	16.2	736,667.4	14.7
Investments in associates and joint ventures	38,375.3	0.8	34,529.8	0.7
Other long-term financial assets	58.7	0.0	58.7	0.0
Long-term receivables	1,891.5	0.0	1,869.8	0.0
Other long-term prepayments	787.9	0.0	417.4	0.0
<b>Current assets (short-term)</b>	<b>2,371,832.6</b>	<b>46.6</b>	<b>2,365,814.0</b>	<b>47.2</b>
Inventories	798,998.5	15.7	733,502.5	14.6
Trade receivables	1,310,850.7	25.8	1,163,571.9	23.2
Income tax receivable	7,637.1	0.2	10,593.7	0.2
Other short-term receivables	90,215.1	1.8	59,959.8	1.2
Other short-term financial assets	35,432.6	0.7	334,228.3	6.7
Short-term prepayments	35,674.5	0.7	21,250.7	0.4
Cash and cash equivalents	93,024.1	1.8	42,707.1	0.9
<b>TOTAL ASSETS</b>	<b>5,088,491.5</b>	<b>100.0</b>	<b>5,016,924.5</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>	<b>31.12.2016 PLN '000</b>	<b>% of total</b>	<b>31.12.2015 PLN '000</b>	<b>% of total</b>
<b>Equity</b>	<b>1,095,932.8</b>	<b>21.5</b>	<b>1,187,110.8</b>	<b>23.7</b>
Share capital	139,096.4	2.7	138,829.3	2.8
Reserve capital	840,201.2	16.5	468,723.6	9.3
Hedging loss	(6,310.7)	0.1	(10,644.3)	0.2
Option for purchase/sell of shares	(69,189.1)	1.4	-	-
Retained earnings	192,135.0	3.8	590,202.2	11.8
Accumulated profit	89,520.9	1.8	89,521.0	1.8
Profit for the period	102,614.1	2.0	500,681.2	10.0
<b>Liabilities</b>	<b>3,992,558.7</b>	<b>78.5</b>	<b>3,829,813.7</b>	<b>76.3</b>
<b>Non-current liabilities</b>	<b>255,634.9</b>	<b>5.0</b>	<b>180,427.8</b>	<b>3.6</b>
Long-term financial liabilities	149,308.9	2.9	153,552.5	3.1
Other long-term payables	70,018.9	1.4	965.0	0.0
Deferred tax liabilities	33,417.4	0.7	23,020.6	0.5
Employee benefits	2,889.7	0.1	2,889.7	0.1
<b>Current liabilities</b>	<b>3,736,923.8</b>	<b>73.4</b>	<b>3,649,385.9</b>	<b>72.7</b>
Loans and borrowings	738,498.2	14.5	675,945.2	13.5
Short-term financial liabilities	50,656.4	1.0	37,551.5	0.7
Trade payables	2,750,359.7	54.1	2,725,182.8	54.3
Other short-term payables	33,423.3	0.7	61,139.6	1.2
Current employee benefits	63,733.7	1.3	59,098.3	1.2
Provisions	100,252.5	2.0	90,468.5	1.8
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,088,491.5</b>	<b>100.0</b>	<b>5,016,924.5</b>	<b>100.0</b>



**Eurocash S.A.**

The report on the audit of the separate financial statements  
for the financial year ended 31 December 2016

TRANSLATION

**2.1.2. Separate income statement**

	1.01.2016 - 31.12.2016 PLN '000	% of total sales	1.01.2015 - 31.12.2015 PLN '000 Restated*	% of total sales
<b>Revenue</b>	<b>14,225,192.9</b>	100.0	<b>13,750,716.0</b>	100.0
Sales of goods	13,216,626.5	92.9	12,968,489.0	94.3
Sales of services	1,008,566.4	7.1	782,227.0	5.7
<b>Cost of sales</b>	<b>(12,664,587.7)</b>	(89.0)	<b>(12,227,251.9)</b>	(88.9)
Cost of goods sold	(12,664,587.7)	89.0	(12,227,251.9)	88.9
<b>Gross profit</b>	<b>1,560,605.2</b>	11.0	<b>1,523,464.1</b>	11.1
Selling expenses	(1,131,751.7)	8.0	(1,054,775.1)	7.7
General and administrative expenses	(245,149.8)	1.7	(224,239.0)	1.6
<b>Profit on sales</b>	<b>183,703.7</b>	1.3	<b>244,450.0</b>	1.8
Other operating income	44,238.8	0.3	33,311.7	0.2
Other operating expenses	(92,965.2)	0.7	(80,368.1)	0.6
<b>Operating profit</b>	<b>134,977.3</b>	0.9	<b>197,393.6</b>	1.4
Finance income	49,638.2	0.3	415,464.4	3.0
Finance costs	(59,605.3)	0.4	(84,966.4)	0.6
<b>Profit before tax</b>	<b>125,010.2</b>	0.9	<b>527,891.6</b>	3.8
Income tax expense	(22,396.1)	0.2	(27,210.4)	0.2
<b>Profit</b>	<b>102,614.1</b>	0.7	<b>500,681.2</b>	3.6

\* Restatement of comparative data was presented in Note 1 of notes to the financial statements.

**Earnings per share**

<b>Profit</b>	102,614.1	500,681.2
Weighted average number of shares	139,023.8	138,697.8
Weighted average diluted number of shares	139,121.0	138,761.4
- basic	0.74	3.61
- diluted	0.74	3.61



**Eurocash S.A.**

The report on the audit of the separate financial statements  
for the financial year ended 31 December 2016

TRANSLATION

**2.1.3. Separate statement of comprehensive income**

	<b>1.01.2016 - 31.12.2016 PLN '000</b>	<b>% of profit</b>	<b>1.01.2015 - 31.12.2015 PLN '000</b>	<b>% of profit</b>
<b>Profit for the period</b>	102,614.1	100.0	500,681.2	100.0
<b>Other comprehensive income</b>	4,333.5	4.2	3,538.0	0.7
<b>Total comprehensive income</b>	<b>106,947.6</b>	<b>104.2</b>	<b>504,219.2</b>	<b>100.7</b>



**Eurocash S.A.**

The report on the audit of the separate financial statements  
for the financial year ended 31 December 2016

TRANSLATION

## 2.2. Selected financial ratios

	2016	2015	2014
<b>1. Return on sales</b>			
$\frac{\text{profit for the period} \times 100\%}{\text{revenue}}$	0.7%	3.6%	2.0%
<b>2. Return on equity</b>			
$\frac{\text{profit for the period} \times 100\%}{\text{equity} - \text{profit for the period}}$	10.3%	72.9%	45.2%
<b>3. Debtors' days</b>			
$\frac{\text{average trade receivables (gross)} \times 365 \text{ days}}{\text{revenue}}$	33 days	32 days	31 days
<b>4. Debt ratio</b>			
$\frac{\text{liabilities} \times 100\%}{\text{equity and liabilities}}$	78.5%	76.3%	84.8%
<b>5. Current ratio</b>			
$\frac{\text{current assets}}{\text{current liabilities}}$	0.6	0.6	0.6

- Current assets exclude trade receivables due in more than 12 months.
- Current liabilities are comprised of short-term provisions for liabilities, short-term liabilities (excluding trade liabilities due in more than 12 months) and other short-term accruals.
- Net revenue includes revenue from sales of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables from related parties and third parties at the beginning and at the end of the period, with no deduction made for allowances.



**Eurocash S.A.**

The report on the audit of the separate financial statements  
for the financial year ended 31 December 2016

*TRANSLATION*

### **3. Detailed report**

#### **3.1. Accounting system**

The Company maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

On the basis of the work performed, we have not identified any material irregularities in the accounting system which have not been corrected and that could have a material effect on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Registration No. 3546  
ul. Inflancka 4A  
00-189 Warsaw

*Signed on the Polish original*

.....  
Wojciech Drzymała  
Key Certified Auditor  
Registration No.90095  
Limited Liability Partner with power of attorney

15 March 2017

**EUROCASH S.A.**

**SEPARATE FINANCIAL STATEMENTS**

FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016

**TRANSLATORS' EXPLANATORY NOTE**

The following document is a translation of the report for the above-mentioned Polish Company.  
Should any discrepancies arise while interpreting the terminology, the Polish version is binding.

KOMORNIKI, 15 March 2017

---

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2016</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All values are expressed in Polish zloty (unless indicated otherwise)</i>		

## CONTENTS

<b>General information .....</b>	<b>3</b>
<b>1. Information about the company.....</b>	<b>3</b>
<b>2. Bodies of the company.....</b>	<b>3</b>
<b>Separate income statement for the period from 01.01.2016 to 31.12.2016.....</b>	<b>5</b>
<b>Separate statement of comprehensive income for the period from 01.01.2016 to 31.12.2016.....</b>	<b>6</b>
<b>Separate statement of financial position as at 31.12.2016.....</b>	<b>7</b>
<b>Separate statement of cash flows for the period from 01.01.2016 to 31.12.2016 .....</b>	<b>9</b>
<b>Separate statement on changes in equity in the period from 01.01.2016 to 31.12.2016.....</b>	<b>10</b>
<b>Notes to separate financial statements prepared for the period from 01.01.2016 to 31.12.2016.....</b>	<b>11</b>
<b>1. General information .....</b>	<b>11</b>
<b>2. Applied accounting policies.....</b>	<b>14</b>
<b>3. Notes to separate financial statements prepared for the period from 01.01.2016 to 31.12.2016 .....</b>	<b>33</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

## GENERAL INFORMATION

### 1. INFORMATION ABOUT THE COMPANY

#### NAME

EUROCASH Spółka Akcyjna ("Company")

#### REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

#### CORE BUSINESS

Non-specialized wholesale trade  
(PKD 4690Z)

#### REGISTRY COURT

District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register,  
Registration number: KRS 00000213765

#### PERIOD FOR WHICH THE COMPANY WAS ESTABLISHED

Indefinite

#### PERIOD COVERED BY THE FINANCIAL STATEMENTS

The reporting period started 1 January 2016 and ended 31 December 2016, and the comparable period is the period from 1 January 2015 to 31 December 2015.  
The consolidated statement of financial position has been prepared as at 31 December 2016, and the comparative figures are presented as at 31 December 2015.

### 2. BODIES OF THE COMPANY

#### 2.1. MANAGEMENT BOARD

As at 31 December 2016, the Company's Management Board consisted of the following members:

Luis Manuel Conceicao do Amaral – President of the Management Board,  
Rui Amaral – Member of the Management Board,  
Arnaldo Guerreiro – Member of the Management Board,  
Pedro Martinho – Member of the Management Board,  
Katarzyna Kopaczewska – Member of the Management Board,  
Jacek Owczarek – Member of the Management Board,  
David Boner – Member of the Management Board.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2016</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All values are expressed in Polish zloty (unless indicated otherwise)</i>		

## 2.2. SUPERVISORY BOARD

As at 31 December 2016, the Company's Supervisory Board consisted of the following members:

João Borges de Assunção – President of the Supervisory Board,  
Eduardo Aguinaga de Moraes – Member of the Supervisory Board,  
Francisco José Valente Hipólito dos Santos – Member of the Supervisory Board,  
Hans Joachim Körber – Member of the Supervisory Board,  
Jacek Sz wajkowski – Member of the Supervisory Board.

## 2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

There were no changes in the membership of the Management and Supervisory Board in the reporting period..

On 13 January 2017, David Boner resigned from his position of Member of the Management Board, effective as at 13.01.2017.

On 22 February 2017, Przemysław Ciaś was appointed Member of the Management Board of Eurocash S.A.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

## SEPARATE INCOME STATEMENT FOR THE PERIOD FROM 01.01.2016 TO 31.12.2016

	Note	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015 restated *
<b>Sales</b>		<b>14 225 192 888</b>	<b>13 750 715 992</b>
Sales of goods	24	13 216 626 476	12 968 489 002
Sales of services	24	1 008 566 413	782 226 990
<b>Costs of sales</b>		<b>(12 664 587 741)</b>	<b>(12 227 251 938)</b>
Cost of goods and services sold		(12 664 587 741)	(12 227 251 938)
<b>Gross profit</b>		<b>1 560 605 148</b>	<b>1 523 464 054</b>
Selling expenses	25	(1 131 751 710)	(1 054 775 122)
General and administrative expenses	25	(245 149 772)	(224 239 007)
<b>Profit on sales</b>		<b>183 703 666</b>	<b>244 449 925</b>
Other operating income	26	44 238 787	33 311 710
Other operating expenses	26	(92 965 181)	(80 368 079)
<b>Operating profit</b>		<b>134 977 272</b>	<b>197 393 556</b>
Financial income	27	49 638 176	415 464 440
Financial costs	27	(59 605 254)	(84 966 414)
<b>Profit before tax</b>		<b>125 010 194</b>	<b>527 891 583</b>
Income tax expense	22	(22 396 121)	(27 210 369)
<b>Profit for the period</b>		<b>102 614 073</b>	<b>500 681 214</b>

\* note 1

### NET EARNINGS PER SHARE

		PLN / share	PLN / share
Net profit		102 614 073	500 681 214
Weighted average number of shares	28	139 023 791	138 697 752
Weighted average diluted number of shares	28	139 120 988	138 761 353
<b>Earnings per share for continued operations</b>			
- basic	28	0,74	3,61
- diluted	28	0,74	3,61

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

## SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01.2016 TO 31.12.2016

	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
<b>Profit for the period</b>	<b>102 614 073</b>	<b>500 681 214</b>
<b>Other comprehensive income for the period</b>	<b>4 333 575</b>	<b>3 538 044</b>
Items that may be subsequently reclassified to profit or loss:		
- The result on hedge accounting with the tax effect:	4 333 575	3 538 044
<b>Total comprehensive income for the period</b>	<b>106 947 648</b>	<b>504 219 258</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

## SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31.12.2016

	Note	as at 31.12.2016	as at 31.12.2015
<i>Assets</i>			
<b>Non-current assets (long-term)</b>		<b>2 716 658 883</b>	<b>2 651 110 497</b>
Goodwill	2	862 819 840	862 819 840
Intangible assets	2	541 468 892	551 860 667
Property, plant and equipment	3	445 211 824	461 882 685
Investment real property	5	988 495	1 004 191
Investments in subsidiary companies	6	825 056 471	736 667 370
Investments in associates and joint ventures	7	38 375 300	34 529 802
Other long-term investments	8	58 723	58 723
Long-term receivables	9	1 891 493	1 869 819
Other long-term prepayments	10	787 846	417 399
<b>Current assets (short-term)</b>		<b>2 371 832 605</b>	<b>2 365 813 994</b>
Inventories	11	798 998 549	733 502 480
Trade receivables	12	1 310 850 709	1 163 571 931
Current tax assets	12	7 637 106	10 593 667
Other short-term receivables	12	90 215 076	59 959 761
Other short-term investments	13	35 432 551	334 228 360
Short-term prepayments	14	35 674 496	21 250 661
Cash and cash equivalents	15	93 024 119	42 707 133
<b>Total assets</b>		<b>5 088 491 488</b>	<b>5 016 924 491</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

## SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31.12.2016

	Note	as at 31.12.2016	as at 31.12.2015
<i>Equity and liabilities</i>			
<b>Equity</b>		<b>1 095 932 779</b>	<b>1 187 110 767</b>
Share capital	16	139 096 361	138 829 311
Reserve capital		840 201 193	468 723 565
Hedging reserve		(6 310 705)	(10 644 280)
Option for purchase/sell of shares		(69 189 100)	-
Retained earnings		192 135 030	590 202 171
Accumulated profit from previous years		89 520 957	89 520 957
Profit for the period		102 614 073	500 681 214
<b>Liabilities</b>		<b>3 992 558 708</b>	<b>3 829 813 724</b>
<b>Non-current liabilities</b>		<b>255 634 872</b>	<b>180 427 849</b>
Other long-term financial liabilities	21	149 308 867	153 552 495
Other long-term liabilities	19	70 018 950	965 072
Deferred tax liabilities	23	33 417 376	23 020 603
Employee benefits	18	2 889 679	2 889 679
<b>Current liabilities</b>		<b>3 736 923 837</b>	<b>3 649 385 875</b>
Loans and borrowings	20	738 498 237	675 945 159
Short-term financial liabilities	21	50 656 437	37 551 481
Trade liabilities	19	2 750 359 676	2 725 182 818
Other short-term payables	19	33 423 260	61 139 602
Current employee benefits	18	63 733 692	59 098 290
Provisions	18	100 252 534	90 468 525
<b>Total equity and liabilities</b>		<b>5 088 491 488</b>	<b>5 016 924 491</b>

## BOOK VALUE PER SHARE

		as at 31.12.2016	as at 31.12.2015
<b>Book value</b>		<b>1 095 932 779</b>	<b>1 187 110 767</b>
Number of shares		139 096 361	138 829 311
Diluted number of shares		139 530 636	139 530 636
<b>Book value per share</b>	<b>29</b>	<b>7,88</b>	<b>8,55</b>
<b>Diluted book value per share</b>	<b>29</b>	<b>7,85</b>	<b>8,51</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

## SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01.2016 TO 31.12.2016

	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
<i>Cash flow from operating activities</i>		
<b>Profit before income tax</b>	<b>125 010 194</b>	<b>527 891 583</b>
<b>Adjustments for:</b>	<b>136 098 869</b>	<b>(219 591 902)</b>
Depreciation and amortization	111 494 591	102 932 784
Equity-settled shared share-based payment transactions	-	1 013 543
(Gain) loss on sale of property, plant and equipment	3 255 265	5 614 727
Interest expenses	54 029 764	72 337 696
Interest received	(9 986 577)	(2 335 946)
Dividend and remission of sales income	(22 694 173)	(399 154 706)
<b>Operating cash before changes in working capital</b>	<b>261 109 064</b>	<b>308 299 680</b>
Changes in inventories	(65 496 068)	328 983 021
Changes in receivables	(145 139 283)	85 026 845
Changes in payables	4 140 945	52 536 011
Changes in provisions and employee benefits	7 549 636	20 361 228
Other adjustments	-	(823 439)
<b>Operating cash</b>	<b>62 164 293</b>	<b>794 383 346</b>
Interest received	1 444 989	969 840
Interest paid	(13 068 531)	(19 222 097)
Income tax paid	(10 059 848)	(1 960 314)
<b>Net cash from operating activities</b>	<b>40 480 904</b>	<b>774 170 775</b>
<i>Cash flow from investing activities</i>		
Acquisition of intangible assets	(30 144 140)	(14 623 605)
Proceeds from sale of intangible assets	(86 947)	417 855
Acquisition of property, plant and equipment	(81 895 827)	(88 416 149)
Proceeds from sale of property, plant and equipment	10 169 794	15 802 276
Acquisition of associates	(3 845 498)	(9 200 000)
Acquisition of subsidiaries	(88 389 100)	-
Advances for acquisition of subsidiaries	(21 000 000)	-
Loans granted	(24 355 832)	(16 003 336)
Repayment received of granted loans	323 129 026	-
Interest received	4 034 507	117 058
Dividends received and remission of sales income	22 694 173	166 361 075
<b>Net cash used in investing activities</b>	<b>110 310 155</b>	<b>54 455 174</b>
<i>Cash flows from financing activities</i>		
Proceeds from issue of share capital	10 147 900	5 661 715
Income/expenses for other financial liabilities	(4 852 862)	2 191 277
Expenses for issuance of short-term securities	-	(42 000 000)
Issuance of short term debt securities	21 000 000	-
Proceeds from loans and borrowings	200 000 000	-
Repayment of borrowings	(147 952 961)	(613 172 726)
Payment of finance lease liabilities	(1 935 716)	(2 673 321)
Other interest	(18 929 698)	(21 521 520)
Interests on loans and borrowings	(18 866 301)	(31 632 543)
Dividends paid	(139 084 436)	(109 557 702)
<b>Net cash used in financing activities</b>	<b>(100 474 074)</b>	<b>(812 704 819)</b>
<b>Net change in cash and cash equivalents</b>	<b>50 316 986</b>	<b>15 921 130</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>42 707 133</b>	<b>26 786 003</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>93 024 119</b>	<b>42 707 133</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## SEPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 01.01.2016 TO 31.12.2016

	Share capital	Reserve capital	Option for purchase/sell of shares	Hedge reserve	Retained earnings	Total
<i>Changes in equity in the period from 01.01 to 31.12.2015</i>						
<b>Balance as at 1 January 2015</b>	<b>138 680 636</b>	<b>327 174 749</b>	<b>-</b>	<b>(14 182 324)</b>	<b>334 100 893</b>	<b>785 773 954</b>
<b>Total comprehensive income for the reporting period</b>						
Profit (loss) for the period from 01.01. to 31.12.2015	-	-	-	-	500 681 214	<b>500 681 214</b>
Net profit presented directly in equity	-	-	-	3 538 044	-	<b>3 538 044</b>
<b>Total comprehensive income for the period from 01.01. to 31.12.2015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 538 044</b>	<b>500 681 214</b>	<b>504 219 258</b>
Dividends	-	-	-	-	(109 557 702)	<b>(109 557 702)</b>
Transfer to reserve capital	-	135 022 233	-	-	(135 022 233)	-
Equity-settled share based payment transactions	-	1 013 543	-	-	-	<b>1 013 543</b>
Share options exercised	148 675	5 513 040	-	-	-	<b>5 661 715</b>
<b>Total transaction with Owners of the Company recognized directly in equity</b>	<b>148 675</b>	<b>141 548 816</b>	<b>-</b>	<b>-</b>	<b>(244 579 936)</b>	<b>(102 882 445)</b>
<b>Balance as at 31.12.2015</b>	<b>138 829 311</b>	<b>468 723 565</b>	<b>-</b>	<b>(10 644 280)</b>	<b>590 202 171</b>	<b>1 187 110 767</b>
<i>Changes in equity in the period from 01.01. to 31.12.2016</i>						
<b>Balance as at 01 January 2016</b>	<b>138 829 311</b>	<b>468 723 565</b>	<b>-</b>	<b>(10 644 280)</b>	<b>590 202 171</b>	<b>1 187 110 767</b>
<b>Total comprehensive income for the reporting period</b>						
Profit (loss) for the period from 01.01 to 31.12.2016	-	-	-	-	102 614 073	<b>102 614 073</b>
Other comprehensive income for the period 01.01 to 31.12.2016	-	-	-	4 333 575	-	<b>4 333 575</b>
<b>Total comprehensive income for the period from 01.01. to 31.12.2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 333 575</b>	<b>102 614 073</b>	<b>106 947 648</b>
Dividends	-	-	-	-	(139 084 436)	<b>(139 084 436)</b>
Transfer to reserve capital	-	361 596 778	-	-	(361 596 778)	-
Share options exercised	267 050	9 880 850	-	-	-	<b>10 147 900</b>
Settlement of acquisition and sale of shares	-	-	(69 189 100)	-	-	<b>(69 189 100)</b>
<b>Total transaction with Owners of the Company recognized directly in equity</b>	<b>267 050</b>	<b>371 477 628</b>	<b>(69 189 100)</b>	<b>-</b>	<b>(500 681 214)</b>	<b>(198 125 636)</b>
<b>Balance as at 31.12.2016</b>	<b>139 096 361</b>	<b>840 201 193</b>	<b>(69 189 100)</b>	<b>(6 310 705)</b>	<b>192 135 030</b>	<b>1 095 932 779</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTES TO SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2016 TO 31.12.2016

### 1. GENERAL INFORMATION

#### 1.1. PUBLICATION OF THE FINANCIAL STATEMENT

According to the resolution of the Management Board dated 15 March 2017, separate financial statements of Eurocash S.A. for the period from 1 January 2016 to 31 December 2016 were authorized for publication.

According to the information included in current report no. 2/2017, dated 10 January 2017, sent to the Polish Financial Supervision Authority, Eurocash S.A. publishes its separate financial statements on 17 March 2017.

Eurocash S.A. is a listed company and its shares are publicly traded.

#### 1.2. STATEMENT OF COMPLIANCE

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU IFRS").

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

EU IFRS include all the International Accounting Standards, International Financial Reporting Standards and related Interpretations, except of the Standards and Interpretations enumerated below that are pending approval by the European Union and the Standards and Interpretations that have been approved by the European Union but are not yet in effect.

The Company did not exercise the option of applying the new Standards and Interpretations that have already been published and accepted by the European Union and which will be effective after the reporting date.

##### **Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2016:**

- IFRS 15 Revenue from Contracts with Customers, effective for annual periods beginning on 1 January 2018 or later,
- IFRS 9 Financial Instruments, effective for annual periods beginning on 1 January 2018 or later.

##### **Standards and interpretations not yet endorsed by the EU as at 31 December 2016:**

- IFRS 14 Regulatory Deferral Accounts, effective for annual periods beginning on 1 January 2016 or later,
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, effective for annual periods beginning on 1 January 2016 or later,
- IFRS 16 Leases, effective for annual periods beginning on 1 January 2019 or later,
- Amendments to IAS 12 Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses, effective for annual periods beginning on 1 January 2017 or later,

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- Amendments to IAS 7 Statement of Cash Flows, Disclosure initiative, effective for annual periods beginning on 1 January 2017 or later,
- IFRS 15 Revenue from Contracts with Customers, effective for annual periods beginning on 1 January 2018 or later,
- Amendments to IFRS 2 Share-based Payment, effective for annual periods beginning on 1 January 2018 or later,
- Amendments to IFRS 4 Insurance contracts, effective for annual periods beginning on 1 January 2018 or later,
- Improvements to IFRS (2014-2016), effective for annual periods beginning on 1 January 2018 or later (save for the changes to IFRS 12 that shall be applied for annual periods beginning on or after 1 January 2017),
- IFRIC 22 Foreign Currency Transactions and Advance Consideration, effective for annual periods beginning on 1 January 2018 or later,
- Amendments to IAS 40 Investment Property, effective for annual periods beginning on 1 January 2018 or later.

#### Impact of the new regulations on the Company's future financial statements:

The Company initially evaluated the impact of IFRS 9 on its financial position. New standard will have an impact on classification and measurement of financial assets and the characteristics of their cash flows. The new model also assumes a standardized impairment approach applied to all financial instruments. It requires reflecting expected credit losses initial recognition and reflecting expected credit losses during financial live of particular financial instrument much quicker as it is now. Moreover, IFRS 9 introduces a new hedge accounting model, which will be requiring detailed disclosures regarding risk management. It is expected that the new standard will have a significant impact on the financial statements, however the Company is not able to prepare an analysis of the impact it will have on the financial statements due to an extensive scope of changes.

The Company initially evaluated the impact of IFRS 15 on its financial position. Based on the analysis performed there are no indicators that could have significant impact on revenues from sales and net profits presented in financial statements. The new standard requires disclosure of more information regarding sales and revenues. Implementation of new standard by the Company will also influence a presentation of balance sheet's financial positions.

The Company is currently during analysis of all range of undertaken agreements.

The Company is still analyzing the impact of IFRS 16 on the financial statements. However, none of the following key decisions on the implementation of IFRS 16 have yet been made:

- method of adoption of IFRS 16: full retrospective or retrospective with the effect of first recognition (no restatement of comparative data);
- (non-)application of a practical approach not to reassess whether a contract is a lease or contains a lease, i.e., application of the existing classification to contracts of the Company as at the date of application of IFRS 16, and concurrent recognition of assets and liabilities related to such contracts;
- application of simplifications for short-term leases and leases of low-value assets;

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- separation of assets related to usufruct or their presentation in aggregation with other similar assets

It is expected that the new standard will have a significant impact on the financial statements, however the Company is not able to prepare an analysis of the impact it will have on the financial statements due to the above.

Evaluation of impact of other Standards is not finished yet. The Company does not expect those Standards to have a material impact on its financial statements once applied.

#### 1.4. FUNCTIONAL AND PRESENTATION CURRENCY ROUNDINGS

The currency used in these separate financial statements is PLN, which is the Company's functional and presentation currency. All the financial information presented in PLN was rounded to the nearest full PLN unit (unless otherwise specified).

#### 1.5. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Drafting financial statements in conformity with UE IFRS requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions were made based on past experience and other factors accepted as reasonable in the given circumstances, and the results of these estimates and judgments were the basis for determining the carrying values of assets and liabilities that were not directly derived from other sources. The actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revised accounting estimates are recognized in the current period and in any future periods affected. The most significant estimates are related to allocation of the acquisition price of the companies, impairment of assets and reserves, which are described in Notes 4 and 18.

#### 1.6. COMPARABILITY OF FINANCIAL STATEMENTS

Accounting policies and methods of calculation applied to these separate financial statements have not changed as against those applied to the latest separate annual financial statements for the financial year ended 31 December 2015, besides the changes presented in Note 1.

#### 1.7. INFORMATION ABOUT THE PARENT ENTITY AND THE GROUP

Eurocash Group comprises Eurocash S.A. and its subsidiaries Eurocash Serwis Sp. z o.o., Eurocash Franczyza Sp. z o.o., Eurocash Trade 1 Sp. z o.o., Eurocash Trade 2 Sp. z o.o., Premium Distributors Sp. z o.o., Przedsiębiorstwo Handlu Spożywczego Sp. z o.o., Euro Sklep S.A., DEF Sp. z o.o., Ambra Sp. z o.o., Detal Podlasie Sp. z o.o., Lewiatan Śląsk Sp. z o.o., Lewiatan Zachód Sp. z o.o., Lewiatan Północ Sp. z o.o., Lewiatan Holding S.A., Lewiatan Opole Sp. z o.o., Lewiatan Wielkopolska Sp. z o.o., Lewiatan Kujawy Sp. z o.o., Lewiatan Orbita Sp. z o.o., Eurocash Detal Sp. z o.o., Lewiatan Podkarpacie Sp. z o.o., Eurocash Convenience Sp. z o.o., Kontigo Sp. z o.o., Eurocash VC2 Sp. z o.o., Lewiatan Podlasie Sp. z o.o., PayUp Polska S.A., Inmedio Sp. z o.o., Eurocash VC3 Sp. z o.o., ABC na Kołach Sp. z o.o., Duży Ben Sp. z o.o., Firma Rogala Sp. z o.o., 4Vapers Sp. z o.o., Sushi To Go Sp. z o.o., Sushi To Go Sp. z o.o. sp. k., Polska Dystrybucja Alkoholi Sp. z o.o., FHC-2 Sp. z o.o., Madas Sp. z o.o., Eurocash Nieruchomości Sp. z o.o., Eurocash Food Sp. z o.o. and Detal Finanse Sp. z o.o.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Moreover the Company has shares in associates Frisco S.A. and joint venture Partnerski Serwis Detaliczny S.A.

Eurocash S.A. is the parent company, registered by the District Court Poznań - Nowe Miasto and Wilda in Poznań, VIII Commercial Division of the National Court Register; registration number: 0000213765, with its registered seat in Komorniki, ul. Wiśniowa 11.

The core business activity of the Parent Entity consists of non-specialized wholesale n.e.c. (PKD 4690Z).

Shares of Eurocash S.A. are traded on the Warsaw Stock Exchange.

## 1.8. GOING CONCERN

The financial statements were prepared under the assumption that the Company would continue to operate as a going concern for the foreseeable future.

## 2. APPLIED ACCOUNTING POLICIES

### 2.1. ACCOUNTING POLICIES

The separate financial statements were drafted in line with the historical cost concept except for the following items:

- derivative financial instruments measured at fair value
- financial instruments measured at fair value in profit or loss – at fair value
- available-for-sale financial assets measured at fair value – at fair value

The most significant accounting policies applied by Eurocash S.A. are presented in points 2.2 through 2.34.

### 2.2. FINANCIAL YEAR

The Company's financial year is a calendar year.

### 2.3. FORMAT AND CONTENT OF SEPARATE FINANCIAL STATEMENTS

In particular, the separate financial statements consist of:

- General information
- Separate profit and loss account
- Separate statement of comprehensive income
- Separate statement of financial position
- Separate statement of cash flows
- Separate statement of changes in equity
- Notes to the separate financial statements, including a summary of significant accounting policies and other explanatory notes.

### 2.4. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into the functional currency (PLN) at the rate of exchange (buy or sell) as at the transaction date.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2016</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

Cash assets and liabilities denominated in foreign currency at the reporting date are translated into the functional currency at the average exchange rate published by the National Bank of Poland as at that date. Foreign exchange gains or losses on balance sheet valuation of cash assets and liabilities are the difference between valuation at amortized cost in the functional currency at the period start, adjusted for effective interest and payments made during the reporting period, and the value at amortized cost in the foreign currency translated at the average exchange rate published by the National Bank of Poland as at the end of the reporting period.

Non-cash assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the average exchange rate published by the National Bank of Poland at the date that fair value was determined.

Exchange differences on translation are recognized as profit or loss of the current period, except for differences arising on translation of available-for-sale equity instruments, financial liabilities designated as a hedge of a net investment in a foreign operation's assets, or qualifying cash flow hedges which are recognized in other comprehensive income. Non-cash items which are measured at historical cost in a foreign currency are translated using the exchange rate as at the transaction date.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## 2.5. INTANGIBLE ASSETS

### Definition

Intangible assets include property rights acquired by the Company, with an anticipated useful life exceeding one year, intended to be used by the Company itself, in particular:

- Goodwill,
- Software licences,
- Copyrights,
- Trademarks, rights to utility models and decorative designs,
- Know-how,
- Customer relations,
- Other intangible assets.

### Initial measurement of intangible assets

The initial value of intangible assets is the acquisition price, which includes the amount payable to the seller and other expenditure directly attributable to acquiring these intangible assets.

### Subsequent expenditure

Subsequent expenditures towards intangible assets are capitalized only when they increase future economic benefits associated with the item. Other costs including expenditures on internally generated intangible assets such as: trademarks, goodwill, and brands are recognized in profit or loss as incurred.

### Amortization

Amortization of intangible assets is calculated for all intangible assets, excluding goodwill and intangible assets with an indefinite useful life. While determining the useful life, the period of generating economic benefits is taken into consideration. If it is difficult to determine the reasonable economic useful life or there is no certainty of any expected measurable benefits, intangible assets should be recognized in profit or loss for the period.

The following amortization rates are adopted for intangible assets:

- |                           |          |
|---------------------------|----------|
| ▪ licenses – software     | 33.3%    |
| ▪ copyrights              | 20%      |
| ▪ trademarks              | 5% - 10% |
| ▪ know-how                | 10%      |
| ▪ other intangible assets | 20%      |

Eurocash considers the trademarks "Eurocash" and "abc" to be recognizable on the market and intends to use them in its activities for a prolonged period. Therefore, the Company assumes that the life of trademarks "Eurocash" and "abc" is indefinite and not subject to amortization. Trademarks "Eurocash" and "abc" are subject to an annual impairment test.

### Review of amortization rates and possible impairment

Amortization rates applied to intangible assets are subject to review at least as at the end of each financial year and they trigger respective adjustments of future amortization, in the following year and each consecutive financial year.

Not later than as at the end of the reporting year, intangible assets are reviewed in terms of existence of any impairment criteria and the need to write down impairment losses.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Impairment losses are written down to other operating expenses not later than as at the reporting date, i.e. in the period they occurred.

Intangible assets with indefinite useful lives and unspecified goodwill are tested for impairment by comparing the carrying value of the specified item against its recoverable amount, regardless of any impairment indication.

#### **Measurement of intangible assets as at the reporting date**

As at the end of the reporting period, the Company measures intangible assets at acquisition cost less accumulated amortization and any accumulated impairment losses.

## **2.6. PROPERTY, PLANT AND EQUIPMENT**

### **Definition**

Property, plant and equipment include tangible assets held by the Company for business use (useful and intended to be used by the Company) with expected useful lives exceeding one year.

Property, plant and equipment shall include in particular:

- Land,
- Buildings and structures,
- Plant and machinery,
- Vehicles,
- Other tangible fixed assets (furniture etc.),
- Fixed assets under construction.

### **Initial measurement of tangible fixed assets**

The initial value of tangible fixed assets is the acquisition price or production cost.

Acquisition price comprises the purchase price of the given asset, including the amount due to the seller (excluding deductible VAT and excise tax) and additional public charges in case of imports.

Acquisition price further includes expenditures directly attributable to the acquisition of the asset and any other costs directly attributable to ensuring that the asset is fit for intended use or for placement on the market, including costs of transport, loading, unloading, storage or marketing, minus rebates, discounts, and other similar price reductions and refunds.

When it is not possible to determine the acquisition price of an asset, in particular when the asset is received free of charge or donated, its value is determined based on the selling price of an identical or similar item i.e. its fair value.

The manufacturing cost of fixed assets under construction includes all expenditures incurred during the period of construction, assembly, adaptation and improvement, until the reporting date or the date when the asset is put to use, plus:

- non-deductible VAT and excise duty
- costs of managing debt incurred for financing the asset, together with any foreign exchange differences, less any incomes arising therefrom,
- if required – an estimation of costs of dismantling and removing the items and reinstatement of the original condition.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

### Subsequent expenditure

Subsequent expenditures on replacement parts of an item of property, plant and equipment are capitalized if they can be estimated reliably and it is probable that the future economic benefits associated with the part will be effectively gained by the Company. The carrying amount of the removed parts of the respective asset is derecognized. Expenditures on day-to-day maintenance of property, plant and equipment are recognized as a gain or loss for the period in which they were incurred.

### Depreciation

Depreciation is calculated on the depreciable amount, which is the acquisition price or production cost of the given asset less its residual value.

Tangible fixed assets, excluding land and fixed assets under construction, are depreciated for the duration of their estimated useful life, using the straight-line method and the following depreciation rates:

▪ buildings and structures	2.5% - 4.5%
▪ investments in third party property, plant, and equipment	10%
▪ plant and machinery	10% - 60%
▪ vehicles	14% - 20%
▪ other tangible fixed assets	20%

Tangible fixed assets are depreciated according to straight-line method, starting in the month in which the asset was put to use, on a monthly basis.

If a specified tangible fixed asset consists of separate major component parts with different useful lives, such parts shall be considered separate assets.

Gain or loss on sale, liquidation or withdrawal from use of a property, plant, and equipment item is determined as the difference between the proceeds from sale and the carrying amount of the assets, and is recognized in profit and loss.

### Review of depreciation rates and possible impairment

Depreciation rates are subject to review, not later than at the end of each financial year, and such review may trigger a respective adjustment of future depreciation rates and methods if necessary, in the following year and each consecutive financial year.

Not later than by the end of the financial year, tangible fixed assets are reviewed in terms of existence of indications of impairment and potential need for writing off impairment losses. Impairment is deemed necessary to be written off when it is highly probable that the given asset will not yield anticipated economic benefits in the future, in its major part or in its entirety, e.g. in case of liquidation or withdrawal of the asset from use. Impairment losses are carried to other operating expenses no later than at the reporting date (i.e. for the period when the impairment loss was determined).

### Measurement of property, plant and equipment as at the end of the reporting period

Tangible fixed assets are presented in the books at the acquisition price or production cost less accumulated depreciation and any accumulated impairment losses.

Tangible fixed assets under construction which are being produced for the purpose of use in operations are presented in the financial statements at production cost less impairment losses. Production cost includes charges and borrowing costs (for certain assets), capitalized in accordance with the accounting policy specified in section 2.7.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

### **Stocktaking of tangible fixed assets**

Stocktaking of tangible fixed assets is performed every four years.

## **2.7. BORROWING COSTS**

Borrowing costs that are directly attributable to acquisition or production of adapted assets are added to the production costs of such tangible fixed assets until the latter are put to use. These costs are reduced by gains resulting from temporary investment of funds obtained for manufacturing the specified asset.

Borrowing costs include interest and other costs incurred by the Company due to borrowing. Any other costs of third party financing are carried directly to profit or loss in the period in which they occurred.

## **2.8. LEASES**

Finance lease occurs when the lease contract transfers substantially all the risks and rewards of ownership of the asset to the lessee.

Any other kind of lease contract is treated as operating lease.

Assets used under finance lease contracts are qualified in the same way as the Company's other assets. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Lease payments should be split into the principal part and interest part so as to produce a fixed rate of interest on the outstanding lease payments.

Outstanding lease payments are presented as financial liabilities divided into short- and long-term components.

Depreciation methods applied to leased assets are consistent with the accounting policies applied to the Company's own assets, specified in sections 2.5 and 2.6. If there is no reasonable certainty that the lessee will acquire ownership of an asset by the end of the term of lease, the asset is depreciated over the shorter of the following periods: duration of the lease contract or useful life of the asset.

Minimum lease payments made under finance leases are apportioned between finance costs and reduction of outstanding debt. The finance expense is allocated to each period during the lease term so as to produce a fixed periodic rate of interest on the outstanding balance of the liability.

Contingent lease payments are presented through adjustment of minimum lease payments over the remaining term of the lease when the adjustment is confirmed.

If the Company uses any assets under operating leases, such assets are not recognized in the statement of financial position. Operating lease payments are carried to profit or loss for the duration of the lease according to straight-line method. Special promotional offers are presented as an integral part of total costs of lease throughout the term of lease, accordingly.

## **2.9. INVESTMENT PROPERTY**

Investment property comprises property held as a source of income from rent and/or for the anticipated increase of value.

Investment property items are initially measured at acquisition price or production cost, after transaction closing costs. As at the reporting date, investment property is measured at the

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

acquisition price or production cost less accumulated depreciation and any accumulated impairment losses, calculated according to the rules applicable to tangible fixed assets.

## 2.10. SHARES IN ASSOCIATES, SUBSIDIARIES AND COMPANIES UNDER COMMON CONTROL

Shares are measured at acquisition prices. In the event of impairment, not later than as at the reporting date, impairment is written off the value of shares, accordingly

## 2.11. LONG-TERM RECEIVABLES

Long-term receivables comprise receivables due within more than 1 year of the end of the reporting period.

The part of long-term receivables which fall due within one year after the end of the reporting period is presented as current receivables.

Long-term receivables are mostly deposits paid for long-term site rental contracts, bank guarantees as well as prepayments for tangible fixed assets.

### Measurement of long-term receivables

As at the reporting date, long-term receivables are measured at amortized cost using effective interest rate less revaluation allowances, if any.

## 2.12. LONG-TERM PREPAYMENTS

Long-term prepayments are reviewed as at each reporting date.

Valuation is carried out by the Company, taking into consideration certain reasonable criteria and knowledge of the individual prepayments.

Long-term prepayments include but are not limited to:

- Advisory services
- IT licenses
- Alcohol sales licenses

## 2.13. NON-CURRENT ASSETS AND ASSET GROUPS HELD FOR SALE

Non-current assets and groups of assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The Company classifies a non-current asset or disposal group as held for sale when its carrying amount is to be recovered principally through a sale transaction rather than through its continued use.

This situation takes place if the following conditions are fulfilled:

- the asset (or disposal group) is available for immediate sale as is, under normal and customary terms of sales of such types of assets (or disposal groups), and its sale is very probable;
- there must be a commitment to fulfill the plan to sell the asset (or disposal group) taken by an appropriate level of management;
- a proactive plan to find a buyer and fulfill the plan has been initiated
- the asset (or disposal group) must be actively marketed at a price that is reasonable in relation to the asset's current fair value
- sale will be presented as closed within one year of the classification of assets or a disposal Company as held for sale and activities required to fulfill the plan indicate

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2016</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

that significant changes to the plan or abandonment of the plan in the future is unlikely.

Intangible and tangible fixed assets classified as assets for sale or issue are not amortized. In addition, after recognition of investments carried according to equity method to assets available for sale or issue, this method of presentation shall be discontinued.

## 2.14. INVENTORIES

Inventories of the Company include:

- Merchandise acquired and held for resale in the ordinary course of business,
- Materials or supplies purchased to be consumed for own use.

### Rules of determination of purchase price

Purchase prices are determined using the weighted average method. Under the weighted average, the purchase price or production cost of each item is calculated on the basis of the weighted average of purchase prices or production costs of similar items at the start of the period and the purchase prices or costs of similar items purchased or produced during the period. The Company applies the same method to determine purchase prices for all items of inventories.

Acquisition cost comprises all purchase costs and other costs incurred in order to bring inventories to their current location and condition.

Purchase costs comprise the actual purchase price, import duties, other non-deductible taxes, costs of transport, loading and unloading, and other costs directly attributable to merchandise.

Cash, value or volume discounts and rebates (bonuses from suppliers counted on turnover) are deducted when determining the acquisition cost.

### Measurement of inventories as at the end of the reporting period

Inventories are measured at acquisition price or production cost not exceeding the net realisable value. Net realisable value is the estimated sale price in the ordinary course of business less the estimated cost of completion and effectuating the sale.

The Company identifies the following circumstances that lead to writing down impairment of inventories to the level of net realisable value:

- loss of functional quality of inventories (damage, obsolete, etc.)
- a level of inventories exceeding the demand and selling possibilities
- low turnover of inventories
- loss of market value caused by sales prices of inventories falling below their carrying amounts

If the value determined at acquisition cost is higher than the net selling price as at the reporting date, the inventories are written down to the value of their selling prices.

The amount of any write-down of inventories is recognised in other operating expenses.

## 2.15. NON-DERIVATIVE FINANCIAL INSTRUMENTS

At initial recognition, financial instruments are measured at fair value plus transaction costs directly attributable to acquisition or issue of the given financial instrument, except when the instrument is classified as at fair value in profit or loss.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

The Company derecognizes a financial asset in its statement of financial position when its rights to derive economic benefits expire, along with related risks, or when the foregoing are transferred to any third parties. A financial liability is derecognized upon repayment, redemption or aged.

A financial liability is derecognized when it is paid, canceled or barred.

In addition, exchange of financial liabilities with substantially different terms is recognized as a derecognition of the original financial liability and the recognition of a new financial liability. The exchange of financial liabilities, which does not cause a substantial change in the conditions, does not result in derecognition the original liability and the recognition of a new liability, for example, reverse factoring agreement due to trade liabilities, which do not substantially change the conditions of the original trade liabilities, does not result in derecognition the trade liabilities and recognition of new financial liabilities due to factoring.

Fair value of financial instruments listed on an active market is their listed closing bid price at the last date preceding the reporting period end date.

However, for financial instruments not traded on an active market, fair value is determined by using valuation techniques which include comparison against market value of another financial instrument with essentially the same qualities, listed on an active market, based on estimated cash flows or valuation models of options, taking into account circumstances specific to the Company.

As at the end of the reporting period, the Company determines whether objective indications of impairment have occurred for individual assets or asset groups.

Financial assets and liabilities are offset and presented in the statement of financial position when and only when the Company has a legal right to offset specific assets and liabilities and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are classified in the following categories:

- (a) financial assets held to maturity,
- (b) loans and receivables,
- (c) financial assets available for sale,
- (d) financial assets measured at fair value through profit or loss.

Classification of financial instruments depends on the purpose of purchase.

#### **(a) Financial assets held to maturity**

These are non-derivative financial assets with fixed or determinable payments and a fixed maturity date that the Company has a positive intention and ability to hold to maturity, other than financial assets recognized as financial instruments carried at fair value through profit or loss, investments available for sale, loans and receivables.

Assets that are sold within 12 months of the end of the reporting period are recognized as current assets.

Investments held to maturity are measured at the amortized cost using the effective interest rate less impairment losses, if any.

#### **(b) Loans and receivables**

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

These are non-derivative financial assets with fixed or determinable payments that are not traded on an active market, arising as a result of cash expenditures, supplying goods or rendering services for the benefit of the debtor which are not intended to be recognized as assets measured at fair value in profit or loss.

The assets are recognized as current assets excluding those with maturity dates exceeding 12 months of the reporting date.

Financial assets classified as loans and receivables are subsequently measured at amortized cost using the effective interest rate less impairment losses if any.

Loans and receivables comprise cash, trade receivables and other receivables

#### **(c) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or not designated as categories (a), (b) or (d). They are recognized as current assets if there is an intention of their disposal within 12 months of the end of the reporting period. Available-for-sale financial assets are measured at fair value, excluding investments in capital instruments which are not quoted at market prices on an active market and whose fair value may not be measured reliably.

Available-for-sale financial assets' fair value changes, other than those resulting from impairment, are recognized in other operating income and presented in equity as a separate line item until disposal or until the time of complete impairment; at that time, cumulative gain or loss previously presented in other comprehensive incomes will be presented in profit or loss.

#### **(d) Financial assets and liabilities carried at fair value through profit or loss**

Financial assets carried at fair value through profit or loss are financial instruments designated as held for trading or instruments designated as such upon initial recognition. After initial recognition, attributable transaction costs are recognized in the income statement as incurred. All profits and losses concerning those investments are recognized in the income statement.

Financial liabilities

Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method, excluding:

- (a) financial liabilities designated as carried at fair value through profit or loss,
- (b) financial liabilities recognized as a result of reclassification of financial assets that are not qualified for derecognition from the statement of financial position,
- (c) financial guarantee contracts,
- (d) obligations to grant low-interest or zero-interest loans

### **2.16. DERIVATIVES**

The Company uses derivatives to hedge its foreign currency and interest rate risk exposure. Embedded derivatives are separated from the host contract and accounted for as a stand-alone derivative if the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, or if a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, or if a hybrid instrument is not measured at fair value through net profit or loss.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

At the time of initial recognition of the hedging position, the Company formally documents the relationship between the hedging instrument and hedged item. This documentation contains the purpose of risk management as well as methods that will be used to assess the effectiveness of the hedging instrument.

The hedge is assessed by the Company at the inception and on an ongoing basis in terms of whether there continue to exist reasonable grounds to expect that the hedging instruments will remain "highly effective" in compensating for any changes in fair value or cash flows attributable to the specific items hedged throughout the period for which the hedge is established, and whether the actual value of each hedge is within the range of 80-125%.

Hedging of future transaction cash flows is applied to highly probable future transactions exposed to cash flow changes risk that would be recognized as a profit or loss of the current reporting period.

Derivatives are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss account as incurred. Subsequent to initial recognition, the Company measures derivatives at fair value. Gains and losses resulting from any change of fair value are recognized in the way described below.

#### *Cash flow hedges*

When a derivative is designated as a hedge of cash flows attributable to a particular asset, liability or a highly probable scheduled transaction involving third parties, the part of gains and losses related to the hedge which constitutes the effective hedge is recognized in other comprehensive income and presented in the hedging reserve in equity. Any ineffective part of gains or losses related to the hedging instrument is recognized immediately in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued by the Company. Any cumulative gain or loss previously recognized in other comprehensive income and presented in equity remains there until the transaction is closed and presented in the income statement accordingly. When the hedged item is not a financial asset, its value will be adjusted at the time of presentation by amounts previously recognized in other comprehensive income. Otherwise, amounts carried to other comprehensive income are recognized in profit or loss in the same period(s) in which the hedged item affects profit or loss of the period.

#### *Other non-trading derivatives*

When a derivative financial instrument is not held for trading and is not designated as a hedging instrument, all changes in its fair value are recognized immediately as profit or loss of the current period.

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

### **Trade receivables**

Trade receivables comprise receivables resulting from realized supplies or rendered services, due within 12 months and over 12 months.

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

Other short-term receivables comprise receivables due within 12 months of the reporting date, excluding trade receivables.

### **Measurement of trade receivables and other receivables as at the end of the reporting period**

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Trade receivables and other receivables are measured at fair value as they occur and are subsequently measured at amortized cost using effective interest rate method, less bad debts allowance.

Irrecoverable receivables are written off profit or loss at the time their irrecoverability is ascertained.

Penalty interest for late payment by the Company's customers are recognized when the Company receives the related cash.

#### **Measurement of receivables denominated in foreign currency as at the end of the reporting period**

Foreign currency receivables are translated at least as at every reporting date, at the spot rate of exchange. Foreign exchange differences related to foreign currency receivables are recognized as other finance incomes or other finance costs, respectively.

#### **Bad debts allowance**

Allowances for bad debt are established for:

- receivables from debtors put into liquidation or declared bankrupt - up to the amount of the debts not covered by a guarantee or other payment security,
- receivables from debtors whose petition for bankruptcy has been dismissed if the given debtor's property is not sufficient to cover the costs of bankruptcy proceedings – up to the full amount,
- debts disputed by debtors - up to the amount of debt not covered by payment security,
- debts overdue or not yet overdue but with a considerable degree of probability of aging – at the Company's reasonable estimate (based on past experience, reliable reviews, forecasts, etc.),
- debts claimed in court – at 100% of the amount receivable.

The amount of allowance derives not only from events that took place before the reporting date but also events revealed subsequent to the date of the financial statements' authorization for publication by the Management Board, provided that those events relate to a debt presented in the accounts as at the reporting date.

Bad debt allowances are recognized in other operating expenses or financial costs if they concern interest debt.

### **2.18. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash in hand, call deposits and restricted cash. The balance of cash and cash equivalents as presented in the cash flow statement comprises the cash and cash equivalents specified below less outstanding bank overdrafts which form an integral part of the Company's cash management system.

### **2.19. SHORT-TERM PREPAYMENTS**

Short-term prepayments are analyzed at each reporting date. The assessment is made by the Company based on reasonable criteria and knowledge about each prepayment.

Short-term prepayments include the short-term part of the following main items:

- rent prepayments,
- prepaid electricity and central heating,

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- prepaid subscriptions, insurance,
- prepayments for other services (e.g. telecommunications),
- advance payments for lease of equipment.

## 2.20. IMPAIRMENT

### Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed by the Company as at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event occurred after the initial recognition of the asset, and that the loss event could have a negative effect on estimated future cash flows related to the given asset.

Objective evidence that financial assets (including equity securities) are impaired may include:

- default or delinquency by the debtor;
- restructuring of the debtor's debt which was approved by the Company for economic or legal reasons concerning the debtor's financial problems which the Company would not have approved otherwise;
- indication that the debtor or issuer is highly probable to be pronounced bankrupt;
- an active market for the given financial asset ceases to exist;
- significant or prolonged decline in fair value of an investment in equity instruments below acquisition price.

The Company considers evidence of impairment of receivables and held-to-maturity investments at the level of specific asset as well as for asset groups. All individually significant receivables and held-to-maturity investments are assessed for specific impairment.

All individually significant receivables and held-to-maturity investments found not to be specifically impaired are then collectively assessed for any impairment not identified otherwise. Receivables and held-to-maturity investments without individually significant values are collectively assessed for impairment by grouping together items with similar risk characteristics.

In assessing risk of impairment for asset groups, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for Management's assessment as to whether current economic and credit conditions are such that the actual losses are likely to differ greatly from those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and they reduce the carrying value of receivables, while the Company continues charging interest on updated assets. When a subsequent event indicate that the circumstances causing the impairment have disappeared, then reversal of impairment is presented as net profit or loss of the current period.

Impairment losses on available-for-sale financial assets are recognized by transferring the cumulative loss previously recognized in other comprehensive income as revaluation capital and presented in the fair value reserve in equity, to profit or loss of the current period. The cumulative loss referred to above is calculated as the difference between the acquisition cost, net of any principal repayment and amortization, and fair value less any impairment

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

loss previously recognized in the income statement. Changes in impairment attributable to time value of money are reflected as interest income.

If, in subsequent periods, the fair value of an impaired available-for-sale debt security increases and the increase can be attributed objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed, with the amount of the reversal recognized in the income statement. Reversal of impairment of fair value of capital instruments available for sale will be recognized in other comprehensive income.

### Non-financial assets

The carrying amounts of non-financial assets other than investment property, inventories and deferred tax assets, are reviewed as at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated by the Company. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amounts are estimated as at the end of each financial year.

The recoverable amount of an asset or cash-generating unit is the greater of its net realizable value and its value in use. In assessing the value in use, estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest groups of assets that generate cash inflows that are largely independent of other assets or groups of assets (cash-generating units; CGUs).

For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment tests are conducted reflects the lowest level of organization at which goodwill is monitored by the Company for internal reporting purposes.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to those CGUs that are expected to benefit from the synergies of the combination.

Shared assets do not generate separate cash inflows. If there is an indication that a shared asset may be impaired, then the recoverable amount is determined for the CGUs to which the shared assets belong.

An impairment loss is recognized when the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are presented first as reduction of the carrying amount of any goodwill allocated to the units (group of units) and then as reduction of the carrying amounts of other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the impairment has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## 2.21. EQUITY

### Ordinary shares

Ordinary shares are classified as equity. Costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

### Repurchase of treasury shares

In the case of purchase of treasury shares, the amount of the consideration paid, which includes directly attributable costs net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as a separate item of shareholders' equity with a minus sign. When treasury shares are sold or reissued subsequently, the amounts received are recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

Funds are reserved for repurchase of treasury shares based on a resolution adopted by the Shareholders' Meeting and presented in equity as separate capital reserves.

## 2.22. LONG-TERM LIABILITIES

Long-term liabilities comprise liabilities due to be settled after 12 months from the end of the reporting period.

Long-term liabilities include mainly:

- loans and borrowings
- finance lease liabilities
- deposits from subtenants of wholesale surfaces

### Measurement of long-term liabilities

At as the end of the reporting period, long-term liabilities are measured at amortized cost using the effective interest rate method.

### Measurement of long-term liabilities denominated in foreign currency as at the reporting date

Foreign currency liabilities are measured at least as at the end of the reporting period using the spot exchange rate.

Foreign currency gains and losses concerning foreign currency long-term liabilities and occurring as at the measurement date are recognized as financial incomes or costs accordingly.

## 2.23. SHORT-TERM LIABILITIES

Short-term liabilities comprise liabilities due to be settled within 12 months from the end of reporting period (not applicable to trade payables).

Short-term liabilities include in particular:

- loans and borrowings payable,
- finance lease liabilities,
- trade payables,
- taxation, social security and other benefits payable,
- payroll payables,
- liabilities due to financing of franchisees.

### Measurement of short-term liabilities as at the reporting date

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

At the reporting date, short-term liabilities are measured at amortized cost using the effective interest rate.

#### **Measurement of short-term liabilities denominated in a foreign currency as at the reporting date**

Foreign currency liabilities are measured at least as at the end of the reporting period using the spot exchange rate.

Foreign currency gains and losses concerning foreign currency short-term liabilities, occurring as at the date of their valuation, should be recognized as financial incomes or expenses accordingly.

### **2.24. BORROWINGS**

The Company initially recognizes bank and other loans and debt securities at fair value of cash received less any borrowing costs.

Subsequent to initial recognition, loans and debt securities are measured at amortized cost using the effective interest rate.

### **2.25. PROVISIONS**

Provisions are recognized if, as a result of past events, the Company has a present obligation (under the law or custom) that can be estimated reliably, and it is likely that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and risks specific to the liability.

Provisions may be disbursed according to the time flow or the value of the related services. The time and method of settlement should be adequate to the nature of expenses in line with the precautionary principle.

Provisions reduce the expenses of the reporting period in which it was confirmed that the liabilities had not arisen.

### **2.26. SALES**

Sales are measured at fair value of payments received or receivable and represent receivables for goods provided and services rendered in the course of ordinary business activities, net of any discounts, value added tax, and other taxes related to sales (excise duty).

#### **Goods sold**

Revenues from sales of goods are recognized when the following conditions have been fulfilled:

- the essential risks and rewards of ownership of the goods have been transferred to the buyer,
- there is no continued involvement of the company with management of goods sold and there is no effective control over those goods,
- the amount of revenue can be measured reliably,
- it is likely that the transaction will result in revenues generated by the company,
- actual and future costs incurred by the company in relation to the transaction can be estimated reliably,
- probability of return can be estimated reliably.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

### Services

If the outcome of a service transaction can be estimated reliably, revenues from the transaction are presented on the basis of the advancement of completion of the transaction as at the reporting date. The outcome of the transaction can be measured reliably when all the conditions specified below are fulfilled:

- the amount of revenue can be measured reliably,
- it is likely that the company will yield economic benefits from the transaction,
- the stage of advancement of the transaction as at the end of the reporting period can be assessed reliably,
- associated costs and costs of closing the transaction can be estimated reliably.

When the outcome of a service transaction may not be measured reliably, revenue from services rendered is recognized only up to actual costs incurred that are likely to be recovered according to the company.

## 2.27. FINANCE INCOMES AND COSTS

Finance income comprises interest income from funds invested (including available-for-sale financial assets), dividend income, gains on disposal of available-for-sale financial assets, changes in fair value of financial assets measured through profit or loss, and gains on hedging instruments that are recognized in the income statement.

### Interest income

Interest incomes are recognized as accrued, with reference to the principal amount payable, according to the accruals principle, using the effective interest rate method.

### Dividend income

Dividend income is recognized on the date the shareholders' entitlement to receive dividend is established.

Finance costs comprise interest expenses on borrowings, unwinding of the discount on presented provisions, changes in the fair value of financial instruments carried through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in the income statement.

Borrowing costs that are not directly attributable to the acquisition, manufacture, construction or production of specified assets are recognized in the income statement using the effective interest rate method.

Foreign currency gains and losses are reported as net amounts, as finance incomes or expenses, according to their total net position.

## 2.28. EMPLOYEE BENEFITS

### Long-term employee benefits

The Company recognizes expenses concerning pension plans and other employee benefits for the post-employment period in its financial statements by setting up a provision for pensions.

Provisions for post-employment benefits are established using the projected unit credit method. Calculation according to actuarial forecast of unit rights is performed by a certified actuary. Liabilities recognized on an accruals basis and measured as those discounted future payments that employees have earned as at the reporting date, adjusted by personnel and demographic movement indexes.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

### Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period of service.

The Company recognizes this liability as the amount expected to be paid to employees as short-term cash bonuses or profit-sharing plans if the Company has a present obligation, by law or custom, to make such payments as a result of a past service provided by the employee, and the obligation can be estimated reliably.

## 2.29. SHARE-BASED PAYMENTS

Share-based payment schemes enable employees to take up the Company's shares. Fair value of granted options for shares is recognized as a separate position in profit or loss as cost of manager shares scheme, with a corresponding increase in equity (reserve capital). Fair value is measured as at the grant date and recognized over the period that the employees become unconditionally entitled to realize the options. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be fulfilled.

Fair value of employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price as at the measurement date, exercise price of the instrument, expected volatility (based on the weighted average historical volatility adjusted for changes expected due to publicly available information), expected weighted average life of the instruments (based on historical experience and general option holders' behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

## 2.30. INCOME TAX

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on taxable income or loss for the reporting period, determined according to the taxable base for the reporting period, with adjustments in respect of previous reporting periods. Taxable income differs from the accounting profit (loss) regarding elimination of taxable income and deductible costs related to future years and incomes and expenses which will never be taxable. Tax liabilities are calculated based on tax rates effective during the reporting period.

Deferred tax is calculated according to balance sheet method as tax payable or refundable in the future on timing differences between the carrying amounts of assets and liabilities and corresponding tax amounts used to determine the taxable base.

Provision for deferred tax is recognized for all temporary taxable gains and deferred tax asset is recognized to the extent that it is probable that future tax profits will be available against which they can be utilized. Deferred tax asset or liability is not recognized for taxable temporary differences arising on the initial recognition of goodwill and on the initial recognition of assets or liabilities in a transaction that is not a business combination and that

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

affects neither accounting nor taxable profit or loss, excluding transactions related to mergers and acquisitions.

Deferred tax assets are reviewed as at the end of each reporting period and if the expected future tax gains are not sufficient to realize the asset or its part, the amount realizable is recognized.

Deferred tax is measured at the tax rates that are expected to be applied at the time of effective realization of an asset or at the maturity date of the liability, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is recognized in profit or loss, except items recognized directly in equity or other comprehensive income. Then, deferred tax is presented directly in equity or other comprehensive income.

Deferred tax assets and provisions are offset if the Company has a legally enforceable title to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities that intend to settle income tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

### 2.31. DISCONTINUED OPERATIONS

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, comparative data for the profit and loss statement and statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

### 2.32. EARNINGS PER SHARE

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held by the Company. Diluted EPS is determined by dividing the adjusted profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, the latter as adjusted for own shares held and for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### 2.33. MERGERS OF JOINTLY CONTROLLED ENTITIES

Acquired assets and liabilities connected with merger of companies under joint control of a shareholder which at the same time controls the Group are presented at book values in the consolidated financial statements of Eurocash S.A. Group.

### 2.34. OPERATING SEGMENTS

The Company decided not to present operating segment data in its separate financial statements.

Detailed information and financial data about operational segments are presented in the consolidated financial statements of Eurocash S.A. Group.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2016</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

### 3. NOTES TO SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2016 TO 31.12.2016

#### NOTE 1. RESTATEMENT OF COMPARATIVE DATA

The correction is related to the presentation change due to the allocation of cost of goods sold and costs of services sold.

Table no 1

	The amount in the approved report	Correction	The corrected amount
	for the period from 01.01.2015 to 31.12.2015	for the period from 01.01.2015 to 31.12.2015	for the period from 01.01.2015 to 31.12.2015
<b>Costs of sales</b>	<b>(12 227 251 938)</b>	-	<b>(12 227 251 938)</b>
Costs of goods sold	(12 223 825 137)	(3 426 801)	(12 227 251 938)
Costs of services sold	(3 426 801)	3 426 801	-

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 2. GOODWILL AND INTANGIBLE ASSETS

The table below presents intangible asset data.

Table no 2

### INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2016

	Goodwill	Patents and licences	Trademarks	Customer relations	Other intangible fixed assets	Advances	Total
<b>Carrying amount as at 01.01.2015</b>	<b>862 819 840</b>	<b>30 111 107</b>	<b>298 077 229</b>	<b>241 024 878</b>	<b>6 189 979</b>	-	<b>1 438 223 033</b>
Other acquisitions	-	14 065 917	-	-	409 097	-	<b>14 475 014</b>
Increases due to the transfer of fixed assets under construction	-	636 131	-	-	-	-	<b>636 131</b>
Liquidations	-	(1 722)	-	-	-	-	<b>(1 722)</b>
Depreciation	-	(17 062 394)	(2 617 000)	(17 537 507)	(1 435 048)	-	<b>(38 651 949)</b>
Other changes	-	-	-	-	-	-	-
<b>Carrying amount as at 31.12.2015</b>	<b>862 819 840</b>	<b>27 749 039</b>	<b>295 460 229</b>	<b>223 487 371</b>	<b>5 164 028</b>	-	<b>1 414 680 507</b>
<b>Carrying amount as at 01.01.2016</b>	<b>862 819 840</b>	<b>27 749 039</b>	<b>295 460 229</b>	<b>223 487 371</b>	<b>5 164 028</b>	-	<b>1 414 680 507</b>
Other acquisitions	-	28 122 514	-	-	563 959	1 457 667	<b>30 144 140</b>
Increases due to the transfer of fixed assets under construction	-	47 252	-	-	252 861	-	<b>300 113</b>
Decrease due to sale	-	(3 901)	-	-	-	-	<b>(3 901)</b>
Decrease due to the transfer of fixed assets under construction	-	-	-	-	-	(2 760)	<b>(2 760)</b>
Depreciation	-	(19 832 218)	(2 000 000)	(17 537 507)	(1 459 642)	-	<b>(40 829 367)</b>
<b>Carrying amount as at 31.12.2016</b>	<b>862 819 840</b>	<b>36 082 686</b>	<b>293 460 229</b>	<b>205 949 864</b>	<b>4 521 206</b>	<b>1 454 907</b>	<b>1 404 288 732</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 2

**INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016 (continued)**

	Goodwill	Patents and licences	Trademarks	Relacje z klientami	Other intangible fixed assets	Advances	Total
<i>As at 31.12.2015</i>							
Cost	862 819 840	105 582 344	311 916 652	256 297 960	18 980 696	-	1 610 095 570
Accumulated amortisation and impairment losses	-	(77 833 305)	(16 456 423)	(32 810 589)	(13 816 668)	-	(195 415 064)
<b>Carrying value</b>	<b>862 819 840</b>	<b>27 749 040</b>	<b>295 460 229</b>	<b>223 487 371</b>	<b>5 164 028</b>	<b>-</b>	<b>1 414 680 507</b>
<i>As at 31.12.2016</i>							
Cost	862 819 840	133 748 209	311 916 652	256 297 960	19 797 516	1 454 907	1 640 533 162
Accumulated amortisation and impairment losses	-	(97 665 523)	(18 456 423)	(50 348 096)	(15 276 309)	-	(236 244 431)
<b>Carrying value</b>	<b>862 819 840</b>	<b>36 082 686</b>	<b>293 460 229</b>	<b>205 949 864</b>	<b>4 521 206</b>	<b>1 454 907</b>	<b>1 404 288 732</b>

Goodwill presented in intangible assets arose as a consequence of:

- acquisition by Eurocash S.A. of an organized part of "Carment M. Stodółka i Wspólnicy Spółka Jawna" enterprise as at 16.08.2006 in the amount of PLN 9,975,600,
- merger with Przedsiębiorstwo Handlowe Batna Sp. z o.o. as at 01.07.2010 in the amount of PLN 29,180,412,
- merger with Eurocash Dystrybucja Sp. z o.o. as at 01.09.2010 in the amount of PLN 56,868,456,
- acquisition of organized part of the business of Premium Distributors Sp. z o.o. as at 01.10.2013 in the amount of PLN 226,352,528,
- merger with Tradis Sp. z o.o. as at 04.04.2014 in the amount of PLN 529,014,483,
- merger with PolCater Sp. z o.o. as at 01.10.2014 in the amount of PLN 11,428,360.

The Company has the following trademarks with indefinite useful lives, which were acquired in 2013 from a subsidiary:

- the trademark "Eurocash" with a book value of PLN 179,000,000,
- the trademark "abc" with a book value of PLN 110,000,000.

Apart from the above mentioned trademarks, there is another trademark recognized in the Company's ledgers: "Batna", with a defined useful life.

Amortization of intangible assets was recognized in its entirety as selling expenses.

The Company did not recognize any impairment losses in relation to intangible assets; this issue is discussed in more detail in Note 4.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

### NOTE 3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment items are presented below:

Table no 3

#### PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2016

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
<b>Carrying amount as at 01.01.2015</b>	<b>291 454 974</b>	<b>71 425 868</b>	<b>16 940 611</b>	<b>50 183 572</b>	<b>21 824 002</b>	<b>451 829 027</b>
Other acquisitions	11 871 188	30 008 082	1 161 801	31 276 431	16 524 446	90 841 948
Increases due to the transfer of fixed assets under construction	16 090 388	898 825	3 188 807	1 295 722	(21 961 860)	(488 118)
Finance lease	-	-	456 801	-	-	456 801
Disposals	(3 972 681)	(287 718)	(2 562 962)	(360 398)	(6 611 845)	(13 795 604)
Liquidations	(376 737)	(1 381 269)	(27 535)	(13 470)	(432 906)	(2 231 917)
Depreciation	(19 110 407)	(16 704 308)	(5 395 091)	(23 071 028)	-	(64 280 835)
Leasing decrease	-	-	(448 616)	-	-	(448 616)
<b>Carrying amount as at 31.12.2015</b>	<b>295 956 725</b>	<b>83 959 480</b>	<b>13 313 816</b>	<b>59 310 827</b>	<b>9 341 838</b>	<b>461 882 685</b>
<b>Carrying amount as at 01.01.2016</b>	<b>295 956 725</b>	<b>83 959 480</b>	<b>13 313 816</b>	<b>59 310 827</b>	<b>9 341 838</b>	<b>461 882 685</b>
Other acquisitions	5 550 066	22 048 909	9 183 281	15 286 600	15 412 023	67 480 880
Increases due to the transfer of fixed assets under construction	7 061 451	928 740	11 080	797 174	(9 095 798)	(297 353)
Finance lease	-	-	-	-	-	-
Disposals	(10 430 552)	(76 878)	(1 801 558)	(41 576)	(58 000)	(12 408 565)
Liquidations	(404 922)	(140 023)	(13 907)	(154 718)	-	(713 570)
Leasing	-	-	(82 726)	-	-	(82 726)
Depreciation	(20 664 389)	(21 068 050)	(4 336 646)	(24 580 442)	-	(70 649 528)
<b>Carrying amount as at 31.12.2016</b>	<b>277 068 378</b>	<b>85 652 178</b>	<b>16 273 340</b>	<b>50 617 865</b>	<b>15 600 063</b>	<b>445 211 824</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 3

**PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016 (continued)**

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
<i>As at 31.12.2015</i>						
Cost	412 377 223	169 885 009	75 234 337	203 678 810	9 341 838	870 517 216
Accumulated amortisation and impairment losses	(116 420 498)	(85 925 530)	(61 920 521)	(144 367 982)	-	(408 634 531)
<b>Carrying amount</b>	<b>295 956 725</b>	<b>83 959 480</b>	<b>13 313 816</b>	<b>59 310 827</b>	<b>9 341 838</b>	<b>461 882 685</b>
<i>As at 31.12.2016</i>						
Cost	414 153 266	192 645 758	82 530 507	219 566 289	15 600 063	924 495 883
Accumulated amortisation and impairment losses	(137 084 887)	(106 993 580)	(66 257 167)	(168 948 425)	-	(479 284 059)
<b>Carrying amount</b>	<b>277 068 378</b>	<b>85 652 178</b>	<b>16 273 340</b>	<b>50 617 865</b>	<b>15 600 063</b>	<b>445 211 824</b>

**Property, plant and equipment under finance lease**

The Company uses mainly vehicles, and forklift trucks under finance lease. In each of these cases, the Company has the right to buy the assets after the lapse of the agreed term of lease for the price stated in the respective agreement, or to continue using the leased property under a new lease contract signed with the financing institution. The buyout price is the difference between the value of the leased property in case of immediate payment and the principal value repaid in lease instalments. As at the end of the reporting period, the carrying value of tangible fixed assets under finance lease was PLN 11.051.481 (31.12.2015 r.: 13.266.008 zł), and the amount payable to the lessor in this respect was PLN 10.393.813 (31.12.2015 r.: 12.329.530 zł). The leased items remain the property of the lessor (the financing institution) until they are acquired by the Company. Those assets are depreciated for tax purposes by the lessor.

The contracts do not include any provisions that would impose any obligations upon the Company concerning dividends, additional debt, or additional lease contracts.

Performance of lease agreements is secured against the leased assets.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### NOTE 4. IMPAIRMENT TESTING OF ASSETS

As at 31 December 2016, the Company assessed whether there was any indication that assets could be impaired.

Based on the analysis, there are no indications of asset impairment as at 31.12.2016.  
The subsequent assessment is planned for 31.12.2017.

For intangible assets with indefinite useful lives, the Company performed the following impairment tests:

- impairment test of the "Eurocash" trademark with a value of PLN 179,000,000 as at 31.12.2016,
- impairment test of the "abc" trademark with a value of PLN 110,000,000 as at 31.12.2016,

For the purposes of the test, recoverable value in use of the trademark was based on license fee method.

Valuation method, by fair value decreased by cost of sales, based on license fees consists in determining the present value of future economic benefits derived by an entity from holding the title to a trademark. This method is based on the assumption that benefits derived from a trademark are equal to costs which would have to be incurred by an entity with no rights to the trademark (if the trademark had been used under an arm's length license agreement). Fair value was qualified to the 3rd hierarchy level.

The market level of license fees is determined based on projection of sales of products carrying the trademark and determining the rate of license fee for using that trademark. The rate of license fee is determined based on the analysis of trademark lease agreements concluded on arm's length terms.

Tests were carried out based on financial projections for the years 2017-2021, assuming no growth after the forecast period. To determine the values of selected projection ratios, historical data was used for year 2016 and plans approved by the Management Board of Eurocash S.A. for the years 2017-2021. The Weighted Average Cost of Capital (WACC) was used as the discount rate (8.71%).

In order to determine total sales value, sales increases were forecasted for like-for-like stores existing on the date of testing, as well as the increase of the number of stores in each year of the forecast. Average sales at new stores during the first year of their operation were estimated as about 50% of average sales generated by existing stores.

In order to determine the cost of capital, 11 comparable trading companies were analysed.

Analyses confirmed that there was no necessity to recognize impairment loss.  
Subsequent testing is planned on 31.12.2017.

As at 31.12.2016 the Company also conducted impairment tests with each of goodwill presented in the financial statements at a total value of PLN 862,819,840 with method of calculating the recoverable value.

Recoverable value was compared with the amount defined as total assets of the cash-generating unit, excluding goodwill, less current liabilities constituting part of working capital.

An excess of recoverable value over the carrying amount of the cash-generating unit was then compared with the value of goodwill recognized in the financial statements.

For the purposes of impairment tests of goodwill, carrying amounts of goodwill were determined first. In addition it was assumed that generation of cash flows by the tested CGUs required involvement of net assets and therefore, carrying amounts of goodwill were also grouped with net assets for the purpose of testing.

For impairment testing of goodwill, recoverable amount was determined as the value in use of the tested cash-generating unit, based on financial projections for the years 2017-2021, assuming no growth after the forecast period. To determine the values of selected projection ratios, historical data for 2016 was used as

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2016</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

well as plans approved by the Management Board of Eurocash S.A. for the years 2017-2021. The Weighted Average Cost of Capital (WACC) was used as the discount rate (depending on the value of goodwill and its related type of business, it would range (from 7.77% to 12.50%).

In order to determine the total sales value, sales increases were forecasted for stores existing on the date of testing, as well as the increase of the number of stores in each year of forecast. Average sales at new stores during the first year of their operations were estimated at about 50% of average sales generated by existing stores.

In order to determine the cost of capital, 11 comparable trading companies were analysed.

Analyses confirmed that it was not necessary to recognize impairment loss. Subsequent assessment is planned on 31.12.2017.

#### **NOTE 5. INVESTMENT PROPERTIES**

*Table no 4*

##### **TANGIBLE FIXED ASSETS AS AT 31 DECEMBER 2016**

	as at 31.12.2016	as at 31.12.2015
<b>Opening balance</b>	<b>1 004 191</b>	<b>1 248 917</b>
Disposal	-	(219 644)
Depreciation	(15 696)	(25 083)
<b>Closing balance</b>	<b>988 495</b>	<b>1 004 191</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 6. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are presented in the following tables:

Table no 5

### INVESTMENTS IN SUBSIDIARIES AS AT 31.12.2016

Subsidiary	Registered office	Percentage in share capital (in%)	Voting rights (in%)	Consolidation method
Eurocash Serwis Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	75,0%	75,0%	full
Eurocash Franczyza Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100,0%	100,0%	full
Eurocash Trade 1 Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100,0%	100,0%	full
Eurocash Trade 2 Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100,0%	100,0%	full
Premium Distributors Sp. z o.o.	ul. Bokszerska 66A 02-690 Warszawa	100,0%	100,0%	full
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100,0%	100,0%	full
Eurocash Convenience Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	99,9%	100,0%	full
Euro Sklep S.A.	ul. Bystrzańska 94a, 43-309 Bielsko Biała	100,0%	100,0%	full
PayUp Polska S.A.	ul. Wiśniowa 11 62-052 Komorniki	100,0%	100,0%	full
DEF Sp. z o.o.	ul. Handlowa 6, 15-399 Białystok	100,0%	100,0%	full
Ambra Sp. z o.o.	ul. Hutnicza 7, 43-502 Czechowice Dziedzice	100,0%	100,0%	full
Detal Podlasie Sp. z o.o.	ul. Sokółska 9, 15-865 Białystok	100,0%	100,0%	full
Lewiatan Śląsk Sp. z o.o.	ul. Lenartowicza 39, 41-219 Sosnowiec	100,0%	100,0%	full
Lewiatan Zachód Sp. z o.o.	ul. Przemysłowa 5, 73-100 Stargard Szczeciński	100,0%	100,0%	full
Lewiatan Północ Sp. z o.o.	ul. I Dywizji Wojska Polskiego 98, 84-230 Rumia	100,0%	100,0%	full

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 5

#### INVESTMENTS IN SUBSIDIARIES AS AT 31.12.2016

Subsidiary	Registered office	Percentage in share capital (in%)	Voting rights (in%)	Consolidation method
Lewiatan Podlasie Sp. z o.o.	ul. Porosły 70A, 16-070 Choroszcz	100,0%	100,0%	full
Lewiatan Holding S.A.	ul. Kilińskiego 10, 87-800 Włocławek	66,6%	71,2%	full
Lewiatan Opole Sp. z o.o.	ul. Światowida 2, 45-325 Opole	100,0%	100,0%	full
Lewiatan Wielkopolska Sp. z o.o.	ul. Osiedle Winiary 54, 60-665 Poznań	100,0%	100,0%	full
Lewiatan Kujawy Sp. z o.o.	ul. Polna 4-8, 87-800 Włocławek	100,0%	100,0%	full
Lewiatan-Orbita Sp. z o.o.	ul. Lubelska 33/15, 10-410 Olsztyn	100,0%	100,0%	full
Lewiatan Podkarpacie Sp. z o.o.	ul. Krakowska 47 39-200 Dębica	100,0%	100,0%	full
Inmedio Sp. z o.o.	Al. Jerozolimskie 174 02-486 Warszawa	51,0%	51,0%	full
Eurocash VC3 Sp. z o.o. *	ul. Boksterska 66A 02-690 Warszawa	100,0%	100,0%	full
Eurocash Detal Sp. z o.o. **	ul. Wiśniowa 11 62-052 Komorniki	100,0%	100,0%	full
FHC-2 Sp. z o.o.	ul. Tysiąclecia 1 38- 400 Krosno	50%	50%	full
Madas Sp. z o.o.	ul. Tysiąclecia 1 38- 400 Krosno	50%	50%	full
ABC na kołach Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
Duży Ben Sp. z o.o.	ul. Wiśniowa 11 62-052 Komorniki	100%	100%	full
Firma Rogala Sp. z o.o.	ul. Grunwaldzka 59 38-350 Bobowa	50%	50%	full
Polska Dystrybucja Alkoholi Sp. z o.o.	ul. Sempołowska 4 95-200 Pabianice	100%	100%	full

\* including 26,4% directly and 73,6% indirectly by Eurocash Franczyza Sp. z o.o.

\*\* including 0,1% directly and 99,9% indirectly by Eurocash Franczyza Sp. z o.o.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 6

#### INVESTMENTS IN SUBSIDIARIES IN THE PERIOD FROM 01.01 TO 31.12.2016

	as at 31.12.2016	as at 31.12.2015
<b>Opening balance</b>	<b>736 667 370</b>	<b>790 636 446</b>
<b>Increase in reporting period:</b>	<b>88 389 100</b>	<b>240 553</b>
acquisition of entities	87 789 100	-
increase of share capital in subsidiaries	600 000	-
other increase	-	240 553
<b>Decrease in reporting period:</b>	<b>-</b>	<b>(54 209 628)</b>
sale of 50% shares iPSD and presentation change	-	(9 181 679)
remission of shares in Eurocash VC3	-	(45 027 949)
<b>Closing balance</b>	<b>825 056 471</b>	<b>736 667 370</b>

In 2016 Eurocash acquired 100% shares in Polska Dystrybucja Alkoholi Sp. o.o. and 50% shares in Firma Rogala Sp. o.o., FHC-2 Sp. o.o. and Madas Sp. o.o. for a total amount of PLN 87,789,100.

Basing on the analysis performed by the Company in accordance with IFRS 10, Firma Rogala Sp. z o.o., FHC-2 Sp. o.o. and Madas Sp. o.o. are subsidiaries controlled by Eurocash S.A. taking i.a. its shares, the franchise agreement details and the share purchase agreement binding the parts of agreement.

#### NOTE 7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are presented below:

Table no 7

#### INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2016

Name of entity	Registered office	Percentage in share capital (in%)	Voting rights (in%)	Consolidation method
FRISCO S.A.	ul. Omulewska 27 04-128 Warszawa	44,14%	44,14%	equity method
Partnerski Serwis Detaliczny S.A.	ul. Grażyny 15 02-548 Warszawa	50,00%	50,00%	equity method

Table no 8

#### INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
<b>Opening balance</b>	<b>34 529 802</b>	<b>-</b>
<b>Increase in reporting period:</b>	<b>3 845 498</b>	<b>34 529 802</b>
Acquisition of shares in associates	3 845 498	29 803 838
Increase in own shares in entities under common control	-	4 725 965
<b>Closing balance</b>	<b>38 375 300</b>	<b>34 529 802</b>

In 2016 Eurocash S.A. as part of the share capital increase in Frisco S.A., acquired 1,075,844 new ordinary shares in Frisco S.A. in exchange for a total price of PLN 3,845,498.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**NOTE 8.**  
**OTHER LONG-TERM FINANCIAL ASSETS**

Other long-term financial assets are presented below:

Table no 9

**OTHER LONG-TERM INVESTMENTS AS AT 31.12.2016**

	as at 31.12.2016	as at 31.12.2015
Other long-term financial assets	58 723	58 723
	<b>58 723</b>	<b>58 723</b>

**NOTE 9.**  
**LONG-TERM RECEIVABLES**

Long-term receivables are presented below:

Table no 10

**LONG-TERM RECEIVABLES AS AT 31.12.2016**

	as at 31.12.2016	as at 31.12.2015
Security deposits on rental agreements	1 820 290	1 717 617
Other long-term receivables	71 202	152 202
	<b>1 891 493</b>	<b>1 869 819</b>

**NOTE 10.**  
**OTHER LONG-TERM PREPAYMENTS**

Other long-term prepayments are presented below:

Table no 11

**OTHER LONG-TERM PREPAYMENTS AS AT 31.12.2016**

	as at 31.12.2016	na dzień 31.12.2015
Alcohol licences	-	133 510
Rentals	314 820	36 225
Leasing interests	26 436	43 091
Other	446 590	204 573
	<b>787 846</b>	<b>417 399</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 11. INVENTORIES

Inventories are presented below:

Table no 12

### INVENTORIES AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Merchandise	798 772 326	733 250 494
Materials	226 223	251 987
<b>Total inventories, including:</b>	<b>798 998 549</b>	<b>733 502 480</b>
- carrying amount of inventory deposits securing payments of liabilities	90 000 000	230 000 000

Table no 13

### ALLOWANCES FOR INVENTORIES IN THE PERIOD FROM 01.01 TO 31.12.2016

	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
<b>Opening balance</b>	<b>11 441 467</b>	<b>13 877 930</b>
- increase in the allowance during the period	4 698 025	5 401 647
- write-offs during the period	(6 868 952)	(7 838 111)
<b>Closing balance</b>	<b>9 270 540</b>	<b>11 441 467</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 12. TRADE AND OTHER RECEIVABLES

Trade and other receivables are presented below:

Table no 14

### TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
<b>Trade receivables</b>	<b>1 310 850 709</b>	<b>1 163 571 931</b>
Credit sales	791 924 046	679 652 953
Receivables from suppliers*	488 158 115	440 308 117
Factoring **	26 515 066	31 367 928
Franchise fees	3 996 407	3 617 205
Other trade receivables	46 403 144	49 262 055
Allowance for trade bad debts	(46 146 069)	(40 636 327)
<b>Current tax assets</b>	<b>7 637 106</b>	<b>10 593 667</b>
<b>Other receivables</b>	<b>90 215 076</b>	<b>59 959 761</b>
VAT settlements	19 845 754	34 709 124
Receivables subject to legal proceedings	52 280 153	50 461 259
Receivables from sale of fixed assets	539 836	760 229
Receivables from employees	862 790	908 188
Advances for acquisition of shares	26 500 000	-
Receivables from insurance	999 424	597 016
Other receivables	37 368 399	18 537 059
Allowance for other bad debts	(48 181 280)	(46 013 115)
<b>Total receivables, including:</b>	<b>1 408 702 891</b>	<b>1 234 125 359</b>
- short-term	1 408 702 891	1 234 125 359

\* These charges relate to transactions with suppliers, which, depending on the specifics of these transactions are recognized in the separate income statement as revenues from sales of services or reduces the value of goods sold

\*\* receivables from franchisees transferred to the financing concern trade receivables from franchisees that were covered by the contracts recourse factoring.

## NOTE 13. OTHER SHORT-TERM FINANCIAL ASSETS

Short-term prepayments are presented below:

Table no 15

### OTHER SHORT-TERM INVESTMENTS AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Loans granted to a subsidiary	29 732 551	334 228 360
Loans granted to other entities	5 700 000	-
	<b>35 432 551</b>	<b>334 228 360</b>

Reducing the value of other short-term investments results from repayment of loans granted to subsidiaries Eurocash Franczyza Sp. o.o. and Eurocash VC3 Sp. z o.o.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### NOTE 14. SHORT-TERM PREPAYMENTS

Short-term prepayments are presented below:

Table no 16

#### SHORT-TERM PREPAYMENTS AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Alcohol licences	11 299 278	2 982 262
Development of franchise chain	7 053 193	-
Renting the commercial properties	3 745 562	2 492 241
Insurances	2 408 057	2 408 729
Rentals	2 027 003	3 269 252
Tolls	1 364 024	1 787 478
Software renting and licenses	824	1 822 982
Media	4 194	237 342
Other prepayments	7 772 362	6 250 376
<b>Total short-term prepayments</b>	<b>35 674 496</b>	<b>21 250 661</b>

#### NOTE 15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are presented below:

Table no 17

#### CASH AND CASH EQUIVALENTS AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
<b>Cash</b>		
cash at bank	4 826 272	6 158 506
cash on hand	1 505 167	1 172 767
cash in transit	43 242 682	23 153 274
cash on deposits	43 369 471	12 214 083
cash restricted to use	75 528	-
other	5 000	8 503
<b>Total cash</b>	<b>93 024 119</b>	<b>42 707 133</b>

#### NOTE 16. SHAREHOLDERS' EQUITY

##### Share capital

Share capital is presented below:

Table no 18

#### SHARE CAPITAL AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Number of shares	139 096 361	138 829 311
Nominal value (PLN / share)	1	1
<b>Share capital</b>	<b>139 096 361</b>	<b>138 829 311</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

As at 31 December 2016, share capital consisted of 139,096,361 ordinary shares, including:

- 127,742,000 A series ordinary bearer shares with the nominal value of 1 PLN each,
- 3,035,550 B series ordinary bearer shares with the nominal value of 1 PLN each,
- 2,929,550 C series ordinary bearer shares with the nominal value of 1 PLN each,
- 830,000 D series ordinary bearer shares with the nominal value of 1 PLN each,
- 1,414,900 E series ordinary bearer shares with the nominal value of 1 PLN each,
- 537,636 F series ordinary bearer shares with the nominal value of 1 PLN each,
- 997,000 G series ordinary bearer shares with the nominal value of 1 PLN each,
- 941,000 H series ordinary bearer shares with the nominal value of 1 PLN each,
- 253,000 I series ordinary bearer shares with the nominal value of 1 PLN each,
- 415,725 M series ordinary bearer shares with the nominal value of 1 PLN each.

The structure of shareholders with more than 5% of the total number of votes at the General Meeting of Shareholders of Eurocash S.A. is presented below:

## SHAREHOLDING STRUCTURE

Table No 19

### SHAREHOLDERS STRUCTURE

Shareholder	31.12.2016				31.12.2015			
	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes
				(%)				(%)
Luis Amaral (directly and indirectly by Politra B.V.)	60 615 240	43,58%	60 615 240	43,58%	60 615 240	43,66%	60 615 240	43,66%

The following changes occurred within the structure of share capital:

Table no 20

### CHANGES IN SHARE CAPITAL IN THE PERIOD FROM 01.01 TO 31.12.2016

	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
Share capital at the beginning of the period	138 829 311	138 680 636
Increase of share capital in the period	267 050	148 675
Equity settled share-based payment transactions	267 050	148 675
Share capital at the end of the period	139 096 361	138 829 311

In 2016, 267,050 ordinary shares were issued due to exercising share options granted to key personnel of the Company under incentive schemes (2015: 148,675 shares). These options were exercised at price PLN 38,00 per share. All shares issued were fully covered with cash.

## Loss on valuation of hedging transactions

Loss on valuation of hedging instruments includes the effective part of accumulated net change in fair value of hedging instruments that secure cash flows associated with hedged transactions.

## Dividend

On April 19, 2016, the financial result for 2015 in the amount of PLN 500,681,214 was divided through Resolution 5 of the Ordinary General Meeting of Shareholders of Eurocash S.A. as the parent.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

The part of profit in the amount of PLN 139,084,436 was allocated to dividend, which was paid on 31 May 2016. The remaining part of net profit was allocated to supplementary capital of the Company.

## NOTE 17. SHARE OPTIONS

Treasury shares options are presented below:

Table no 21

### OPTIONS FOR SHARES IN THE PERIOD FROM 01.01 TO 31.12.2016

	Number of options	Weighted average performance prices (PLN/share)
Existing at the beginning of the reporting period	701 325	38,00
Exercised in the reporting period	(267 050)	38,00
Existing at the end of the reporting period	434 275	38,00
including:		
Exercisable at the end of the period	434 275	38,00

1. By way of Resolution no. 3 of the Ordinary General Meeting Eurocash S.A. of 26 November 2012 on the Eighth, Ninth and Tenth Incentive and Bonus Program for Employees for the years 2012, 2013 and 2014, it was decided to issue shares of Series M, Series N and Series O under the Incentive Program for managers, executives and key personnel for the business of the Company and Eurocash S.A. Group.,

The program is implemented in conjunction with the Company's intention to continue the incentive programs of the earlier years for managers, executives and key personnel for the business of the Company and Eurocash Group, and to lay the foundations to enable outstanding employees to acquire shares in the Company as a bonus.

The Company will issue a total of 102,000 registered bonds in three series:

- 34,000 registered Series I bonds with nominal value of PLN 0.01 each, with the right to subscribe and acquire 25 Series M shares with priority over the shareholders of the Company (Eight Program),
- 34,000 registered Series J bonds with nominal value of PLN 0.01 each, with the right to subscribe and acquire 25 Series N shares with priority over the shareholders of the Company (Ninth Program),
- 34,000 registered Series K bonds with nominal value of PLN 0.01 each, with the right to subscribe and acquire 25 Series O shares with priority over the shareholders of the Company (Tenth Program).

The bonds are zero-interest bonds.

Due to the fact that the condition for achieving consolidated EBITDA in 2013, at least PLN 565m was not achieved, Ninth incentive and Premium Program was not implemented.

Due to the fact that the condition for achieving consolidated EBITDA in 2014, at least PLN 638m was not achieved, Tenth incentive and Premium Program was not implemented.

The only Persons Entitled to buy all or part of the Series I bonds will be managers, executives and key personnel for the business of the Company and Eurocash Group who have been employed and working for a 3-year period starting on 1 January 2012.

A list of pre-qualified persons eligible to purchase Series I bonds has been approved by resolution No. 20 of the General Meeting on 20 May 2013.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

The final list of persons qualified as Pre-Authorized to receive the Series I bonds will be determined by the Supervisory Board and approved by the Resolution of the General Meeting of Shareholders if it includes Rewarded Personnel accordingly, by 5 January 2015.

Holders of Bonds I have the right to subscribe for and acquire Series M with priority over the shareholders of the Company in the period from 1 February 2015 until 31 January 2017 year.

The issue price per Series M Share will amount to PLN 38.

The Company has valued the Eighth Incentive Program for series I bonds in the amount of PLN 19,764.000. This value was accounted from 1 January 2013 for a period of 26 months.

Until December 31, 2016, 17,371 Series I bonds authorizing to take up 434,275 Series M shares were left unexercised.

In the period from January 1 to December 31, 2016, 267,050 shares ordinary series M were covered.

Share option programs are valued using the Black-Scholes model. Details of 8 Share program valuation is presented below.

Table no 22  
**OPTION VALUATION AS AT 31.12.2016**

	8 Share option programme
Risk-free rate of return	2,34%
Volatility	34,93%
Option period (in years)	1,70
Exercise price	38,00
Base price	61,00
Number of options	850 000
Employee turnover ratio	6%
Total cost	19 764 084

Total costs of option programs carried to the separate income statement of the Company in 2016 amounted to PLN 0 (2015: PLN 1.013.543).

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 18. PROVISIONS AND ACCRUALS

Provisions and accruals are presented below:

Table no 23

### PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2016 TO 31.12.2016

	Provision for employee benefits	Accrual for agent's commissions	Accrual for costs of transport	Accrual for advertising costs	Accruals for costs of media	Other	Total
<b>Provisions and accruals as at 01.01.2015</b>	<b>53 955 179</b>	<b>144 714</b>	<b>3 386 371</b>	<b>28 608 109</b>	<b>5 980 917</b>	<b>37 936 020</b>	<b>130 011 312</b>
Increases	11 232 486	-	2 590 156	2 597 053	1 178 996	8 083 415	25 682 107
Decreases	(3 199 696)	(37 227)	-	-	-	-	(3 236 923)
<b>Provisions and accruals as at 31.12.2015, including:</b>	<b>61 987 969</b>	<b>107 487</b>	<b>5 976 527</b>	<b>31 205 162</b>	<b>7 159 913</b>	<b>46 019 436</b>	<b>152 456 495</b>
- short-term	59 098 290	107 487	5 976 527	31 205 162	7 159 913	46 019 436	149 566 816
- long-term	2 889 679	-	-	-	-	-	2 889 679
<b>Provisions and accruals as at 01.01.2016</b>	<b>61 987 969</b>	<b>107 487</b>	<b>5 976 527</b>	<b>31 205 162</b>	<b>7 159 913</b>	<b>46 019 436</b>	<b>152 456 495</b>
Increases	14 591 401	-	368 625	-	652 935	13 915 940	29 528 901
Decreases	(9 955 999)	(16 780)	-	(5 136 710)	-	-	(15 109 489)
<b>Provisions and accruals as at 31.12.2016, including:</b>	<b>66 623 372</b>	<b>90 707</b>	<b>6 345 152</b>	<b>26 068 453</b>	<b>7 812 846</b>	<b>59 935 376</b>	<b>166 875 905</b>
- short-term	63 733 693	90 707	6 345 152	26 068 453	7 812 846	59 935 376	163 986 226
- long-term	2 889 679	-	-	-	-	-	2 889 679

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 24

**PROVISIONS AS AT 31.12.2016**

	as at 31.12.2016	as at 31.12.2015
Provision for employee benefits	66 623 371	61 987 969
Accrual for advertising costs	26 068 453	31 205 162
Accruals for intrests	11 217 458	9 052 400
Accrual for costs of media	7 812 847	7 159 913
Accruals for litigations	10 640 849	7 753 568
Accrual for advisory and audit	2 528 711	2 090 365
Accrual for costs of transport	6 345 152	5 976 527
Accrual for rental costs	4 441 745	2 227 245
Alcohol licensing	3 060 575	1 545 599
Accrual for IT modernization	1 460 943	930 189
Accrual for agent's commissions	90 707	107 487
Other provisions and accruals	26 585 095	22 420 070
	<b>166 875 906</b>	<b>152 456 494</b>
- long-term	2 889 679	2 889 679
- short-term	163 986 227	149 566 815

**Provisions and liabilities for employee benefits**

Provisions and liabilities for employee benefits include provision for retirement benefits in amount of PLN 3,082,119 (the remaining part mainly consists of salaries payable and provisions for holidays and provision for bonuses).

Provision for retirement benefits was calculated by an actuary. Actuarial valuation accounted for such items as: discount rate of 3.0%, 3.0% wage increase. The amount of 2,889,679 PLN was presented as long-term portion of provision.

**Provision for costs of advertising and marketing**

Provision for advertising and marketing costs includes mainly provisions related to payments for marketing services provided by clients.

It is expected that these provisions will be realized within 12 months after 31 December 2016.

**Provision for interest**

The provision applies to estimated costs associated with outstanding liabilities past due as at 31 December 2016.

The provision is expected to be realized within 12 months after 31 December 2016.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 19. TRADE AND OTHER PAYABLES

Trade and other payables are presented below:

Table no 25

### TRADE AND OTHER PAYABLES AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
<b>Trade liabilities</b>	<b>2 750 359 676</b>	<b>2 725 182 818</b>
Payables due to purchase of goods	2 674 131 499	2 635 880 726
Payables due to services received	76 228 178	89 302 091
<b>Other payables</b>	<b>103 442 209</b>	<b>62 104 674</b>
Liabilities due to purchases of assets	2 619 198	20 236 626
Liabilities due to social securities	22 392 628	21 024 200
Options for acquiring/sell of shares	69 189 100	-
Liabilities due to taxes and insurances	4 919 260	5 098 855
Liabilities in relation to acquisitions	-	601 812
Other payables	4 322 022	15 143 181
<b>Total liabilities, including:</b>	<b>2 853 801 886</b>	<b>2 787 287 492</b>
- long-term	70 018 950	965 072
- short-term	2 783 782 936	2 786 322 420

Trade payables also include trade payables covered by the reverse factoring agreements (with 8 banks), which do not substantially change the conditions of trade payables.

As a part of the settlement of the acquisition of 50% shares in Firma Rogala Sp. o.o., FHC-2 Sp. o.o. and Madas Sp. o.o., in these financial statements have been included options to repurchase the remaining 50% of shares by Eurocash S.A. granted by Eurocash S.A. to other shareholders of Firma Rogala, FHC-2 and Madas. Options can be exercised after 3 years from the date of acquisition. These options in the total amount of PLN 69,189,100 were included in other long-term liabilities and the corresponding entry in equity.

## NOTE 20. LOANS AND BORROWINGS

Loans and borrowings are presented below:

Table no 26

### LOANS AND BORROWINGS AS AT 31.12.2016

	Credit destination	Liability amount	Interest rate	Costs for the period from 01.01.2016 to 31.12.2016
ING Bank Śląski S.A.	cash poll agreement	538 498 237	WIBOR 1 M + bank's margin	10 727 797
ING Bank Śląski S.A.	credit for financing of current activities	200 000 000	WIBOR 1 M + bank's margin	7 107 933
<b>Total loans and credits</b>		<b>738 498 237</b>		<b>17 835 730</b>
- short-term		738 498 237		

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

On February 2, 2009, the entities from Eurocash Group signed a liquidity management agreement in the form of daily loans from ING Bank Śląski S.A. ("Cash Pool"). The aim is effectively managing the common financial liquidity within the accounts group.

Each of the Group companies has a separate current account. Eurocash S.A. acts as the management structure - operates two accounts:

- the main account - within the accounts group;
- the main liquidity account - outside the accounts group, which reflects the consolidated balance of all accounts.

The DOLMA System is based on the mechanism of zero balances. This operation is the last working day operation and involves a transfer of positive and negative balances of individual current accounts to the main account of liquidity on balance. At the beginning of each working day, this operation is reversed.

Interest on the balance on the main account of liquidity is calculated on the last day of each calendar month.

In addition, the Company has a line of credit to the amount of PLN 700 m in Bank Zachodni WBK S.A., BGŻ Bank BNP Paribas S.A., Bank Gospodarstwa Krajowego S.A., mBank S.A. and in the Bank Polska Kasa Opieki S.A. As at 31.12.2016, the limit was reached to the level PLN 200 m.

In accordance to the credit agreements, the Company is obliged to maintain certain financial ratios at a defined level and to engage in business activities within the framework prescribed in the agreements. During the audited period, the Company was complying with all the terms of loan agreements and there was no instance of violation. What is more, according to the credit agreements, the Company issued certain collaterals, details of which are presented in Note 33.

## NOTE 21.

### OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented below:

Table no 27

#### FINANCIAL LIABILITIES AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Liabilities arising from the issue of bonds	161 000 000	140 000 000
Finance lease liabilities	10 393 813	12 329 530
Liabilities related to financing of franchisees*	26 515 066	31 367 928
Liabilities due to security instruments	2 056 426	7 406 518
	<b>199 965 305</b>	<b>191 103 976</b>
- long-term	149 308 867	153 552 495
- short-term	50 656 437	37 551 481

\* liabilities due to financing of franchisees relate to reverse factoring agreements due to trade receivables.

On 20 June 2013 Eurocash issued bonds with a total nominal value of PLN 140m under the bonds program to the amount of PLN 500m. Interest on the bonds is determined by WIBOR for six-month deposits and the bank's. Repurchase date is 20 June 2018.

The bonds are secured by guarantees given by subsidiaries to the amount of PLN 168m. Liabilities from issued bonds are presented in the statement of financial position of the Company under long-term financial liabilities.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2016</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

As at December 31, 2016 Eurocash had short-term bonds with a total nominal value of PLN 21 million issued due to the short-term bonds issuance programme to the amount of PLN 500 million.

According to bond issues, the Company is required to maintain specified financial ratios at defined levels and to conduct business in certain contracts within. In the audited period, the Company performed all the activities of the agreements and there was no violation.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## FINANCE LEASES

Table no 28

### FINANCE LEASE AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2016	as at 31.12.2015	as at 31.12.2015
	minimum lease payments	present value of minimum lease payments	minimum lease payments	present value of minimum lease payments
<i>Future minimum lease payments due to operating lease agreements</i>				
Less than one year	2 140 957	1 955 478	2 905 500	2 277 639
Between one and five years	8 512 835	8 413 221	10 258 590	9 979 196
More than five years	25 658	25 115	76 171	72 695
<b>Total future minimum lease payments due to finance lease agreements</b>	<b>10 679 450</b>	<b>10 393 813</b>	<b>13 240 260</b>	<b>12 329 530</b>
Finance costs	285 637	X	910 731	X
<b>Present value of minimum lease payments due to finance lease agreements</b>	<b>10 393 813</b>	<b>10 393 813</b>	<b>12 329 530</b>	<b>12 329 530</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## OPERATING LEASES

The Company recognized operating lease contracts concerning lease or rental of premises, vehicles and other under which leased assets can be used by the lessee in exchange for a charge or a series of charges and no transfer of risk or benefits arising from ownership of the asset is made.

The contracts relate to lease and rental of space for the purpose of commercial activities such as sales of groceries, cigarettes, alcohol, household chemicals and non-food merchandise. The company signed the contracts relating to the use of storage space for logistics and transportation purposes, as well as office space for administrative activities of headquarters' employees. Moreover, the Company recognized an operating lease contract related to the lease of vehicles used by the lessee in its current operations.

For contracts relating to trading space, the price is defined per 1 square meter. Prices are adjusted on the basis of the annual rate of inflation published by the Central Statistical Office, fluctuations in property tax charges, fluctuations of perpetual usufruct charges, and fluctuations of local charges applicable to leased/rented properties. The final amount payable is a product of the number of square meters of the given space multiplied by the price per square meter.

The term and termination conditions stated in certain contracts read that unless either Party notifies the other Party of the contract of its decision not to extend the contract during the 12 months period preceding the date of the contract termination, the contract will be automatically extended for the following period (same as in the original contract).

A specification of minimum operating lease charges is presented below:

*Table no 29*

### **LIABILITIES UNDER OPERATING LEASE AGREEMENTS AS AT 31.12.2016**

	as at 31.12.2016	as at 31.12.2015
<i>Future minimum fees due to operating lease agreements paid in the period:</i>		
Less than one year	116 616 312	123 620 210
Between one and five years	318 414 796	317 714 574
More than five years	403 652 450	397 372 055
<b>Total future minimum fees due to operating lease agreements</b>	<b>838 683 558</b>	<b>838 706 839</b>

Operating lease payments for 2016 amounted to PLN 138.008.434 (2015: PLN 133.921.953).

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 22. INCOME TAX

Income tax for the reporting period is presented below:

Table no 30

### INCOME TAX FOR THE PERIOD FROM 01.01 TO 31.12.2016 (main components)

	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
<i>Profit and loss account</i>		
Current income tax	(12 946 659)	(9 432 861)
Deferred income tax	(9 449 462)	(17 777 507)
<b>Total income tax</b>	<b>(22 396 121)</b>	<b>(27 210 369)</b>

Table no 31

### TAX RECONCILIATION FOR THE PERIOD FROM 01.01 TO 31.12.2016 (main components)

	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
<b>Profit before tax</b>	<b>125 010 194</b>	<b>527 891 583</b>
Income tax calculated base on 19% income tax rate	(23 751 937)	(100 299 401)
Adjustment of current tax of previous years	-	148 125
The tax impact of dividends received from Group companies	4 311 893	23 979 973
The tax impact of the redemption of shares in EVC3	-	51 859 421
Other differences	(2 956 077)	(2 898 487)
<b>Income tax in the profit and loss account</b>	<b>(22 396 121)</b>	<b>(27 210 369)</b>
<b>Effective tax rate</b>	<b>17,92%</b>	<b>5,15%</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 23. DEFERRED TAX

Deferred tax is presented below:

Table no 32

### DEFERRED TAX IN THE PERIOD FROM 01.01 TO 31.12.2016

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at 31.12.2016	as at 31.12.2015	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
<i>Deferred tax liabilities</i>						
- difference between tax and carrying amount of fixed assets	88 266 792	74 010 780	14 256 011	14 082 292	-	-
- deferred income	40 412 369	29 294 576	11 117 792	(5 747 758)	-	-
- revenues from accrued interests	884 981	721 629	163 352	247 346	-	-
- financial lease liabilities	-	-	-	(274 868)	-	-
- other	293 657	445 396	(151 739)	(1 478 292)	-	-
<b>Gross deferred tax liability</b>	<b>129 857 798</b>	<b>104 472 382</b>	<b>25 385 416</b>	<b>6 828 720</b>	<b>-</b>	<b>-</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 32

**DEFERRED TAX IN THE PERIOD FROM 01.01 TO 31.12.2016 (continued)**

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at 31.12.2016	as at 31.12.2015	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
<i>Deferred tax liabilities</i>						
- bonuses	14 189 183	6 465 564	(7 723 619)	4 125 559	-	-
- allowance of inventories	1 761 403	2 173 879	412 476	462 928	-	-
- allowance for bad debts	14 809 581	12 783 045	(2 026 536)	(492 874)	-	-
- allowance for loss on investments	22 345 156	22 345 156	-	-	-	-
- current tax loss and loss from previous years	1 816 543	-	(1 816 543)	9 198 825	-	-
- holiday accrual	2 925 766	2 951 207	25 441	39 417	-	-
- accrual for employees' bonuses	3 552 264	3 009 277	(542 987)	(2 201 777)	-	-
- unpaid payroll and social securities	2 140 018	1 938 510	(201 508)	290 918	-	-
- retirement provision	585 603	585 603	-	(62 486)	-	-
- accrual for agents' commissions	17 234	20 423	3 188	(3 870)	-	-
- accrual for rental costs	299 689	174 843	(124 846)	118 976	-	-
- accrual for advertising costs	4 953 006	5 928 981	975 975	(493 440)	-	-
- accrual for costs of transport	850 690	942 656	91 965	(299 245)	-	-
- accrual for costs of media	1 203 306	1 152 433	(50 873)	(210 447)	-	-
- accrual for advisory and audit	182 107	355 369	173 263	46 136	-	-
- provisions for legal disputes	2 089 162	2 165 292	76 129	(526 807)	-	-
- provisions for Amrest	-	-	-	(35 594)	-	-
- hedging instruments	390 721	1 407 239	-	-	1 016 518	829 911
- accrued interest on trade payables	947 376	1 397 361	449 985	649 552	-	-
- accrued interest on loans and borrowings	952 402	74 070	(878 333)	(74 070)	-	-
- accrual for purchasing shares (PD, Tradis)	607 998	607 998	-	299 280	-	-
- other provisions	19 821 214	14 972 875	(4 848 339)	117 807	-	-
<b>Deferred tax assets</b>	<b>96 440 422</b>	<b>81 451 778</b>	<b>(15 935 955)</b>	<b>10 948 787</b>	<b>1 016 518</b>	<b>829 911</b>
Deferred income tax effect			<b>9 449 462</b>	<b>17 777 507</b>	<b>1 016 518</b>	<b>829 911</b>
<b>Net deferred tax liability</b>	<b>33 417 376</b>	<b>23 020 603</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Net deferred tax asset</b>	<b>-</b>	<b>-</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**NOTE 24.**  
**SALES IN THE REPORTING PERIOD**

Sales revenues are presented below:

Table no 33

**SALE IN THE PERIOD FROM 01.01 TO 31.12.2016**

	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
Sale of goods	13 216 626 476	12 968 489 002
Sale of services	1 008 566 413	782 226 990
<b>Total sale</b>	<b>14 225 192 888</b>	<b>13 750 715 992</b>

**NOTE 25.**  
**COSTS BY TYPE**

Costs by type are presented below:

Table no 34

**COSTS BY TYPE IN THE PERIOD FROM 01.01 TO 31.12.2016**

	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
Depreciation	111 494 591	102 932 784
Materials and energy	92 007 857	92 999 645
External services	511 697 022	464 628 133
Taxes and charges	28 882 975	34 511 317
Payroll	504 694 969	465 609 795
Social security and other benefits	100 532 779	93 035 932
Other costs by type	27 591 290	25 296 523
<b>Costs by type</b>	<b>1 376 901 482</b>	<b>1 279 014 129</b>
including:		
Selling expenses	1 131 751 710	1 054 775 122
General and administrative expenses	245 149 772	224 239 007

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**NOTE 26.**  
**OTHER OPERATING INCOMES AND EXPENSES**

Other operating incomes and expenses are presented below:

Table no 35

**OTHER OPERATING INCOME AND EXPENSES THE PERIOD FROM 01.01 TO 31.12.2016**

	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
<b>Other operating income</b>	<b>44 238 787</b>	<b>33 311 710</b>
Penalties for suppliers	8 151 264	9 948 555
Other sales	3 779 753	5 119 706
Sub-lease of premises	6 950 335	6 594 844
Revenues from transport services	310 561	59 022
Compensation received	1 086 928	2 427 234
Surplus inventory	4 890	163 653
Donations received	127 476	114 212
Release of bad debts	-	1 077 170
Write-off of liabilities	10 200 000	-
Other	13 627 580	7 807 315
<b>Other operating expenses</b>	<b>(92 965 181)</b>	<b>(80 368 079)</b>
Inventory shortages	(18 911 248)	(21 555 994)
Liquidation of damages and expired goods	(41 312 707)	(42 635 914)
Allowance for fixed assets	-	(1 047 750)
Allowance for bad debts	(11 168 208)	-
Losses from disposals of property, plant and equipment	(817 254)	(666 353)
Litigations	(4 446 450)	(2 921 443)
Paid penalties	(1 394 166)	(2 558 087)
Donations	(1 111 932)	-
Other	(13 803 216)	(8 982 539)
<b>Net other operating expenses</b>	<b>(48 726 394)</b>	<b>(47 056 369)</b>

**NOTE 27.**  
**FINANCE INCOMES AND COSTS**

Finance incomes and costs are presented below:

Table no 36

**FINANCIAL REVENUES AND COSTS IN THE PERIOD FROM 01.01 TO 31.12.2016**

	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
<b>Financial income</b>	<b>49 638 176</b>	<b>415 464 440</b>
Dividends and remission of shares	22 694 173	126 210 385
Remission of shares	-	272 944 321
Revenues from discounts	5 537 635	3 639 590
Interest	9 986 577	2 335 946
Other financial income	11 419 791	10 334 198
<b>Financial expenses</b>	<b>(59 605 254)</b>	<b>(84 966 414)</b>
Interest	(54 029 764)	(72 337 696)
Impairment of shares in the Group	-	(2 590 840)
Commissions and bank charges	(3 786 758)	(4 844 171)
Foreing exchange losses	(791 468)	(202 144)
Other financial expenses	(997 264)	(4 991 563)
<b>Net financial expenses</b>	<b>(9 967 078)</b>	<b>330 498 026</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 28. EARNINGS PER SHARE

Earnings per share are presented below:

Table no 37

### **EARNINGS PER SHARE FOR THE PERIOD FROM 01.01 TO 31.12.2016**

	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
<i>Earnings</i>		
Profit for the period attributable to the Parent's shareholders	102 614 073	500 681 214
<i>Number of issued shares</i>		
Weighted average number of shares	139 023 791	138 697 752
<b>Dilution effect of potential number of shares:</b>		
Convertible bonds	97 197	63 601
Weighted average number of shares (to calculate diluted earnings per share)	139 120 988	138 761 353
<b>Earnings per share</b>		
- basic	0,74	3,61
- diluted	0,74	3,61

### **Calculation of weighted average number of shares**

The weighted average number of shares determined in order to calculate the value of basic earnings per share is calculated as the weighted average number of ordinary shares outstanding during the reporting period.

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

The weighted average number of shares determined to calculate the value of diluted earnings per share includes issued bonds convertible to shares and is calculated as the total of the weighted average number of ordinary shares plus a potential free of charge issue of ordinary shares.

The free of charge issue of ordinary shares means the difference between the number of ordinary shares which would be issued at the time of conversion of all diluting bonds convertible to ordinary shares and the number of ordinary shares which would be issued at average market value of ordinary shares during the period.

For the purpose of calculating diluted earnings per share, the weighted average number of shares was not adjusted for conversion of convertible bonds conducted during the periods following the end date of the reporting period on a non-arm's length basis.

### **Description of factors which dilute the number of shares**

Earnings per share are diluted as a consequence of implementation of share option schemes discussed in Note 17.

## NOTE 29. BOOK VALUE PER SHARE

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

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 38

**BOOK VALUE PER SHARE ON 31.12.2016**

	as at 31.12.2016	as at 31.12.2015
Book value	1 095 932 779	1 187 110 767
Number of shares	139 096 361	138 829 311
Diluted number of shares	139 530 636	139 530 636
Book value per share	7,88	8,55
Diluted book value per share	7,85	8,51

**NOTE 30.  
TRANSACTIONS WITH RELATED PARTIES**

No significant non-arm's length transactions with subsidiaries were closed in 2016.

No allowances for receivables from related parties were recognized in 2016 by the Company.

Trade receivables	31.12.2016
Eurocash Serwis Sp. z o.o.	51 949 525
Eurocash Detal Sp. z o.o.	13 623 717
Firma Rogala Sp. z o.o.	12 392 333
FHC-2 Sp. z o.o.	10 789 075
Eurocash Franczyza Sp. z o.o.	6 762 005
Eurocash Trade 1 Sp. z o.o.	4 803 675
Polska Dystrybucja Alkoholi Sp. z o.o.	1 980 000
Madas Sp. z o.o.	1 522 735
Lewiatan Holding S.A.	1 372 387
Duży Ben Sp. z o.o.	910 626
Eurocash Convenience Sp. z o.o.	807 128
Euro Sklep S.A.	779 412
Detal Podlasie Sp. z o.o.	222 786
ABC na kołach Sp. z o.o.	219 159
Ambra Sp. z o.o.	144 559
DEF Sp. z o.o.	140 031
PayUp Polska S.A.	139 604
Inmedio Sp. z o.o.	122 288
Lewiatan Kujawy Sp. z o.o.	92 797
Lewiatan Wielkopolska Sp. z o.o.	86 008
Lewiatan Śląsk Sp. z o.o.	85 443
Eurocash VC1 Sp. z o.o.	81 010
Lewiatan Opole Sp. z o.o.	74 992
Lewiatan Zachód Sp. z o.o.	68 623
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	62 011
Lewiatan Podlasie Franczyza Sp. z o.o.	60 031
Lewiatan Północ Sp. z o.o.	53 533
Lewiatan Orbita Sp. z o.o.	32 358
Lewiatan Podkarpacie Sp. z o.o.	25 716
4vapers Sp. z o.o.	4 013
Eurocash VC2 Sp. z o.o.	3 263
Pol Cater Holding Sp. z o.o.	3 064
Eurocash VC3 Sp. z o.o.	1 968
Gama Detal Sp. z o.o.	1 376
Eurocash Trade 2 Sp. z o.o.	1 341
<b>Total</b>	<b>109 418 594</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Other receivables	31.12.2016
Eurocash Franczyza Sp. z o.o.	579 876
Eurocash Serwis Sp. z o.o.	543 535
Euro Sklep S.A.	458 326
Lewiatan Holding S.A.	304 717
Lewiatan Kujawy Sp. z o.o.	76 314
Lewiatan Śląsk Sp. z o.o.	55 988
Eurocash VC1 Sp. z o.o.	34 735
Lewiatan Wielkopolska Sp. z o.o.	34 210
Lewiatan Orbita Sp. z o.o.	28 590
DEF Sp. z o.o.	27 526
Lewiatan Północ Sp. z o.o.	27 383
ABC na kołach Sp. z o.o.	24 467
Lewiatan Podkarpacie Sp. z o.o.	19 958
Duży Ben Sp. z o.o.	12 968
Premium Distributors Sp. z o.o.	12 459
Lewiatan Opole Sp. z o.o.	10 680
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	10 636
Lewiatan Zachód Sp. z o.o.	9 435
Lewiatan Podlasie Franczyza Sp. z o.o.	7 910
PayUp Polska S.A.	2 083
Ambra Sp. z o.o.	1 564
Eurocash Detal Sp. z o.o.	876
Eurocash Convenience Sp. z o.o.	402
<b>Total</b>	<b>2 284 634</b>

Trade payables	31.12.2016
Lewiatan Holding S.A.	21 910 817
Eurocash Franczyza Sp. z o.o.	10 712 668
Eurocash Serwis Sp. z o.o.	6 642 676
Euro Sklep S.A.	2 143 199
Eurocash Trade 1 Sp. z o.o.	1 555 779
Lewiatan Śląsk Sp. z o.o.	894 244
Lewiatan Kujawy Sp. z o.o.	816 100
Lewiatan Podlasie Franczyza Sp. z o.o.	594 354
Lewiatan Wielkopolska Sp. z o.o.	537 283
Lewiatan Północ Sp. z o.o.	425 294
Lewiatan Opole Sp. z o.o.	372 988
Lewiatan Orbita Sp. z o.o.	314 449
Premium Distributors Sp. z o.o.	134 430
Lewiatan Zachód Sp. z o.o.	257 779
Firma Rogala Sp. z o.o.	229 809
Lewiatan Podkarpacie Sp. z o.o.	122 280
Eurocash Detal Sp. z o.o.	55 001
Eurocash Convenience Sp. z o.o.	42 885
PayUp Polska S.A.	23 361
Eurocash VC1 Sp. z o.o.	9 258
Duży Ben Sp. z o.o.	5 000
ABC na kołach Sp. z o.o.	133
<b>Total</b>	<b>47 799 785</b>

Receivables from loans granted	31.12.2016
Polska Dystrybucja Alkoholi Sp. z o.o.	18 633 216
Eurocash Trade 1 Sp. z o.o.	11 099 335
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	302 535
<b>Total</b>	<b>30 035 086</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Other payables	31.12.2016
Grupa Eurocash S.A. (cashpool)	538 496 151
Firma Rogala Sp. z o.o.	694 102
Eurocash Franczyza Sp. z o.o.	503 960
Eurocash Serwis Sp. z o.o.	488 713
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	143 165
Premium Distributors Sp. z o.o.	80 321
Ambra Sp. z o.o.	20 619
DEF Sp. z o.o.	20 619
Eurocash VC2 Sp. z o.o.	20 619
Eurocash Detal Sp. z o.o.	6 721
Eurocash Trade 1 Sp. z o.o.	2 946
Euro Sklep S.A.	915
<b>Total</b>	<b>540 478 851</b>

Sales of goods	01.01-31.12.2016
Eurocash Serwis Sp. z o.o.	336 712 243
Firma Rogala Sp. z o.o.	186 464 783
Eurocash Detal Sp. z o.o.	11 762 030
Eurocash Convenience Sp. z o.o.	5 413 400
Inmedio Sp. z o.o.	4 815 700
Detal Podlasie Sp. z o.o.	4 518 435
Duży Ben Sp. z o.o.	1 238 159
Eurocash Franczyza Sp. z o.o.	1 079 526
ABC na kołach Sp. z o.o.	824 622
DEF Sp. z o.o.	793 715
Ambra Sp. z o.o.	101 658
Eurocash VC1 Sp. z o.o.	76 516
Lewiatan Opole Sp. z o.o.	29 923
Lewiatan Podlasie Franczyza Sp. z o.o.	18 465
Lewiatan Orbita Sp. z o.o.	11 862
Pol Cater Holding Sp. z o.o.	9 463
Lewiatan Śląsk Sp. z o.o.	6 901
Lewiatan Północ Sp. z o.o.	5 306
Lewiatan Zachód Sp. z o.o.	2 000
Lewiatan Kujawy Sp. z o.o.	1 498
Lewiatan Wielkopolska Sp. z o.o.	825
Lewiatan Holding S.A.	279
4vapers Sp. z o.o.	241
<b>Total</b>	<b>553 887 552</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### Sales of services 01.01-31.12.2016

Eurocash Franczyza Sp. z o.o.	27 916 537
Eurocash Serwis Sp. z o.o.	10 083 751
Lewiatan Holding S.A.	7 785 633
Euro Sklep S.A.	5 931 229
Lewiatan Kujawy Sp. z o.o.	1 170 086
Lewiatan Śląsk Sp. z o.o.	697 342
Eurocash Convenience Sp. z o.o.	538 143
DEF Sp. z o.o.	482 293
Lewiatan Podlasie Franczyza Sp. z o.o.	462 903
Lewiatan Północ Sp. z o.o.	400 674
Lewiatan Opole Sp. z o.o.	383 331
PayUp Polska S.A.	320 617
Eurocash VC1 Sp. z o.o.	277 297
Duży Ben Sp. z o.o.	270 666
Lewiatan Zachód Sp. z o.o.	245 017
Ambra Sp. z o.o.	235 105
Lewiatan Wielkopolska Sp. z o.o.	196 556
Lewiatan Orbita Sp. z o.o.	163 227
Lewiatan Podkarpacie Sp. z o.o.	61 183
Firma Rogala Sp. z o.o.	34 538
Detal Podlasie Sp. z o.o.	24 994
Inmedio Sp. z o.o.	24 858
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	18 394
Eurocash Detal Sp. z o.o.	17 372
Eurocash VC2 Sp. z o.o.	11 340
Eurocash VC3 Sp. z o.o.	9 600
Eurocash Trade 2 Sp. z o.o.	6 540
ABC na kołach Sp. z o.o.	3 886
Eurocash Trade 1 Sp. z o.o.	1 740
<b>Total</b>	<b>57 774 853</b>

#### Interest revenues 01.01-31.12.2016

Eurocash VC3 Sp. z o.o.	1 930 554
Eurocash Franczyza Sp. z o.o.	1 782 876
Eurocash Trade 1 Sp. z o.o.	256 198
Firma Rogala Sp. z o.o.	16 037
Eurocash Convenience Sp. z o.o.	3 642
Lewiatan Podkarpacie Sp. z o.o.	1 204
<b>Total</b>	<b>3 990 511</b>

#### Dividends 01.01-31.12.2016

Eurocash Serwis Sp. z o.o.	21 929 926
<b>Total</b>	<b>21 929 926</b>

#### Other income 01.01-31.12.2016

Eurocash Serwis Sp. z o.o.	185 633
PayUp Polska S.A.	1 514
Eurocash Detal Sp. z o.o.	386
<b>Total</b>	<b>187 533</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Costs of goods sold	01.01-31.12.2016
Lewiatan Holding S.A.	203 536 831
Eurocash Serwis Sp. z o.o.	71 697 221
Premium Distributors Sp. z o.o.	171 911
DEF Sp. z o.o.	57 629
PayUp Polska S.A.	3 982
<b>Total</b>	<b>275 467 573</b>

Costs of services	01.01-31.12.2016
Eurocash Serwis Sp. z o.o.	69 613 736
Eurocash Franczyza Sp. z o.o.	43 331 953
Firma Rogala Sp. z o.o.	7 733 725
Euro Sklep S.A.	4 083 484
Lewiatan Kujawy Sp. z o.o.	3 327 359
Lewiatan Śląsk Sp. z o.o.	3 251 530
Lewiatan Podlasie Franczyza Sp. z o.o.	2 593 560
Lewiatan Wielkopolska Sp. z o.o.	2 010 578
Lewiatan Północ Sp. z o.o.	1 851 048
Lewiatan Opole Sp. z o.o.	1 399 534
Lewiatan Zachód Sp. z o.o.	1 030 464
Lewiatan Orbita Sp. z o.o.	883 944
Lewiatan Holding S.A.	775 825
Lewiatan Podkarpacie Sp. z o.o.	467 332
Eurocash Detal Sp. z o.o.	330 625
DEF Sp. z o.o.	219 680
Premium Distributors Sp. z o.o.	110 338
Ambra Sp. z o.o.	39 360
Inmedio Sp. z o.o.	38 380
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	20 619
Eurocash VC2 Sp. z o.o.	20 619
<b>Total</b>	<b>143 133 691</b>

Interest costs	01.01-31.12.2016
Eurocash Group (cashpool)	10 727 797
Eurocash VC2 Sp. z o.o.	419 833
<b>Total</b>	<b>11 147 630</b>

#### NOTE 31.

#### REMUNERATION AND OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Members of the Management Board and the Supervisory Board are considered as key management personnel.

The table below presents information of total remuneration, bonuses, rewards and other benefits paid or payable to the Members of the Management Board and the Supervisory Board during the period from 1 January 2016 to 31 December 2016.

There were no other transactions noted during the reporting period which would involve Members of the Management Board and the Supervisory Board.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 39

**REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD IN THE PERIOD FROM 01.01 TO 31.12.2016**

	Basic salary	Other benefits	Management options	Total
<i>Remuneration of the Members of the Management Board</i>				
Luis Amaral	480 000	255 301	-	735 301
Rui Amaral	1 320 000	18 833	-	1 338 833
Arnaldo Guerreiro	1 020 000	30 478	-	1 050 478
Pedro Martinho	1 200 000	30 793	-	1 230 793
Katarzyna Kopaczewska	960 000	22 027	-	982 027
Jacek Owczarek	1 000 000	30 478	-	1 030 478
David Boner	2 040 000	62 422	-	2 102 422
	<b>8 020 000</b>	<b>450 332</b>	-	<b>8 470 332</b>
<i>Remuneration of the Members of the Supervisory Board</i>				
Joao Borges de Assuncao	207 971	-	-	207 971
Eduardo Aguinaga de Moraes	192 355	-	-	192 355
Francisco José Valente Hipólito dos Santos	192 355	-	-	192 355
Hans Joachim Körber	192 355	-	-	192 355
Jacek Sz wajcowski	182 201	-	-	182 201
	<b>967 237</b>	-	-	<b>967 237</b>

**NOTE 32.  
EMPLOYMENT**

The number of employees as at 31.12.2016 is presented below:

Table no 40

**NUMBER OF EMPLOYEES AS AT 31.12.2016**

	as at 31.12.2016	as at 31.12.2015
Number of employees	9 366	9 344
Number of full-time jobs	9 284	9 256

The employment structure as at 31.12.2016 is presented below:

Table no 41

**STRUCTURE OF EMPLOYMENT AS AT 31.12.2016**

	Wholesale discounts and distribution centres	Head office	Total
Number of employees	7 910	1 456	<b>9 366</b>
Number of full-time jobs	7 835	1 449	<b>9 284</b>

Employee turnover data as at 31.12.2016 are presented below:

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 42

**EMPLOYEE TURNOVER IN THE PERIOD FROM 01.01 TO 31.12.2016**

	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
Number of hired employees	3 195	3 711
Number of dismissed employees	(3 173)	(3 671)
	<b>22</b>	<b>40</b>

**NOTE 33.  
DATA CONCERNING ITEMS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION**

Table no 43

**CONTINGENCIES AS AT 31.12.2016**

No Beneficiary	Title	Currency	as at 31.12.2016	as at 31.12.2015
1 ING Bank Śląski **	Surety of the ING Bank Śląski S.A. bank guarantee for Dolma Agreement	PLN	2 290 500 000	2 208 210 000
2 Prepaid Services Company Limited **	Surety for PayUp liabilities	PLN *	2 212 000	2 130 750
3 Pekao S.A. **	Surety for trade liabilities Eurocash Serwis Sp. z o.o. and Eurocash Trade 1 Sp. z o.o. due to the Factoring agreement	PLN	400 000 000	400 000 000
4 BZ WBK***	Surety for trade liabilities arising from the "Franchise partners financing program" for Franchisees Delikatesy Centrum	PLN	12 280 125	30 546 530
5 mLeasing **	Surety for the liabilities Eurocash Serwis Sp. z o.o. under the Lease Agreement	PLN	3 007 042	2 991 691
6 ING Leae **	Surety for the liabilities Eurocash Detal Sp. z o.o. under the Lease Agreement	PLN	934 778	934 778
7 Pekao S.A. **	Surety for the liabilities Eurocash Serwis Sp. z o.o. under the current account credit	PLN	165 000 000	165 000 000
9 Imperial Tobacco Polska S.A. **	Surety for the liabilities Eurocash Serwis Sp. z o.o.	PLN	32 000 000	29 000 000
			<b>2 905 933 945</b>	<b>2 838 813 749</b>

\* - Guarantee in EUR is translated into PLN at the average exchange rate of NBP:

as at 31.12.2015: 1 EUR = 4,2615 PLN,

as at 31.12.2016: 1 EUR = 4,424 PLN.

\*\* at nominal value

\*\*\* at debt value as at balance sheet date

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Table no 44

#### OTHER BANK GUARANTEES AS AT 31.12.2016

No	Bank guarantee drawer	Title	Currency	as at 31.12.2016	as at 31.12.2015
1	ING Bank Śląski	Security for rent liabilities	PLN	-	821 100
2	PKO BP S.A.	Security for rent liabilities	PLN	6 372 506	4 666 802
3	PKO BP S.A.	Security for rent liabilities	PLN*	22 534 838	20 444 666
4	PKO BP S.A.	Security for excise duty	PLN	2 100 000	3 100 000
5	PKO BP S.A.	Security for payment for suppliers	PLN	20 000 000	20 000 000
6	PKO BP S.A.	Security for payment with the use of national road viaToll	PLN	620 100	620 100
7	PKO BP S.A.	Security for promotional lottery	PLN	454 400	384 468
				<b>52 081 844</b>	<b>50 037 135</b>

\* - Guarantee in EUR is translated into PLN at the average exchange rate of NBP:  
as at 31.12.2015: 1 EUR = 4,2615 PLN,  
as at 31.12.2016: 1 EUR = 4,424 PLN.

#### COLLATERALS

Table no 45

#### SECURITY ON ASSETS AS AT 31.12.2016

Title	Secured property	Amount secure in PLN
Security of an agreement on a credit line at ING **	Deposit on the inventories	90 000 000
Securing syndicated loan agreement	Deposit on the Eurocash Serwis Sp. z o.o. shares	9 547 300
Securing syndicated loan agreement	Deposit on the Eurocash S.A. shares	3 800 000
Finance lease agreements (at net value of tangible fixed assets on the balance sheet date)	Deposit on fixed assets in financial leasing	11 051 481

\*\* at the nominal value of the security

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 34. FINANCIAL RISK MANAGEMENT

### a. General information

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operating risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes used to measure and manage risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Management Board of the Company bears the overall responsibility for the establishment and oversight of the Company's risk management framework. In order to fulfill these requirements, the Board has established a Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Management Board on its activities.

The Risk Management Committee is established to identify and analyze the risks related to the Company's activities, to set appropriate risk limits and controls, and to monitor any variations against those limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Internal Audit Department which operates at the Company oversees how management monitors compliance with the Company's risk management policies and procedures. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures.

### b. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The Company's maximum exposure to credit risk is presented in the table below.

Table no 46

#### **CREDIT RISK EXPOSURE**

	as at 31.12.2016	as at 31.12.2015
Accounts receivable and loans	1 418 602 796	1 524 979 470
Cash and cash equivalents	91 518 952	41 534 366
	<b>1 510 121 748</b>	<b>1 566 513 836</b>

\* excluding cash

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## Trade receivables and other receivables

Due to the fact that the Company's customers are highly fragmented and scattered, there is no concentration of credit risks.

The Company's credit risk regarding receivables varies depending on the particular group of clients cooperating with the Company, as follows:

- sales realized in cash constitute over 90% of total sales realized by wholesalers and therefore there is no credit risk related thereto,
- sales of servicing to franchise networks and independent clients is mostly on a credit basis and is therefore characterized by a greater volume of overdue receivables. However, counterparties credit risk is moderate,
- sales of marketing services to suppliers of goods (promotions, newsletters, advertising brochures) are exposed to minor credit risk, as the related payments, as a result of additional arrangements, are offset with amounts payable to suppliers
- sales to HoReCa are typically transacted on a credit basis and therefore a higher percentage of overdue receivables occurs in this category; however, the credit risk related to these parties is moderate.

The Company monitors the amount of overdue receivables on an ongoing basis and in justified cases initiates legal proceedings and makes allowances for bad debts.

The tables below present the aging structure of trade receivables and bad debts allowances:

Table no 47

### AGEING OF TRADE RECEIVABLES AND BAD DEBT ALLOWANCES AS AT 31.12.2016

	Trade receivables gross value as at 31.12.2016	Bad debts allowance as at 31.12.2016	Trade receivables gross value as at 31.12.2015	Bad debts allowance as at 31.12.2015
current	1 108 075 439	-	978 659 092	-
0-30 days	117 139 758	-	102 309 195	-
31-90 days	50 979 394	-	51 125 839	-
91-180 days	19 604 068	-	28 898 845	-
> 180 days	61 198 119	46 146 069	43 215 287	40 636 327
	<b>1 356 996 778</b>	<b>46 146 069</b>	<b>1 204 208 259</b>	<b>40 636 327</b>

Table no 48

### ALLOWANCE FOR BAD DEBTS AS AT 31.12.2016

	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
Opening balance	40 636 328	41 455 221
Increases	5 509 741	-
Decreases	-	(818 893)
Closing balance	<b>46 146 069</b>	<b>40 636 328</b>

## Investments

Cash and cash equivalents are deposited with reputable financial institutions and the Company does not expect any counterparties to fail to meet their obligations.

## Guarantees

The Company's policy is to provide financial guarantees only to wholly-owned affiliates and to regular key customers.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

### c. Liquidity risk

Liquidity risk is the risk of the Company being unable to repay its debts as they fall due.

Liquidity risk management policy consists of ensuring, as far as possible, cash necessary for the Company to repay its debts and investment obligations as they fall due, without incurring unacceptable losses or risking damage to the Company's reputation.

The basis for effective liquidity risk management at Eurocash Group is an internal model of forecasting cash flows. Liquidity management is focused on detailed analysis, planning and acting in the following three areas:

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

The Company's sales are closed mainly for cash. Moreover, the Company has a credit line agreement as a revolving loan (without the cash pool) facilities, up to PLN 700m, which can be used to meet its short-term financial requirements.

As at 31 December 2016, the limit at the amount of PLN 200m was not reached.

As at 31 December 2016, a large part of current liabilities refers to liabilities with related parties, including PLN 538m in connection with the Cash Pool agreement.

In addition, liabilities from suppliers also include trade payables covered by the contracts (with 8 banks) reverse factoring, which do not generally change the conditions of trade payables.

Carrying amounts by the agreed due dates are presented in the following tables (excluding any agreements for mutual offsetting of receivables and payables):

Table no 49

#### AS AT 31.12.2016

	Net book value	< 12 months	1-5 years	over 5 years
Financial lease liabilities	10 393 813	1 955 478	8 413 221	25 115
Trade and other payables	2 826 489 997	2 756 471 047	70 018 950	-
Factoring	26 515 066	26 515 066	-	-
Bank overdrafts	738 498 237	738 498 237	-	-
Issue of bonds	161 000 000	21 000 000	140 000 000	-
	2 056 426	870 532	1 185 894	-
	<b>3 764 953 539</b>	<b>3 545 310 360</b>	<b>219 618 064</b>	<b>25 115</b>

#### AS AT 31.12.2015

	Net book value	< 12 months	1-5 years	over 5 years
Financial lease liabilities	12 329 530	2 277 639	9 979 196	72 695
Trade and other payables	2 762 129 509	2 761 164 437	965 072	-
Factoring	31 367 928	31 367 928	-	-
Bank overdrafts	675 945 159	675 945 159	-	-
Issue of bonds	140 000 000	-	140 000 000	-
	7 406 518	3 905 914	3 500 604	-
	<b>3 629 178 644</b>	<b>3 474 661 077</b>	<b>154 444 872</b>	<b>72 695</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### d. Market risk

Market risk is the risk related to changes in demand, supply, and prices, as well as other factors (such as foreign exchange rates, interest rates, and equity prices) which will affect the Company's income or the value of its assets. The objective of market risk management is to manage and control market risk exposures within the acceptable limits, while optimizing risk returns.

#### Currency risk

Currency risk does not significantly affect the business activities of the Company, as the majority of the Company's payments are made in the local currency. In order to manage the currency risk regarding significant transactions in foreign currencies, the Company buys and sells derivatives. The Company is focused on an application of hedge accounting that would minimize the effect of profit and loss variability for the period. In 2016, as well as in 2015 year, the Company did not have any open positions in currency derivatives.

#### Interest rate risk

Interest rate risk is related to loans and credit facilities granted and taken out, respectively.

The following table presents the Company's exposure profile (maximum exposure) to the risk of interest rate fluctuations, by presenting variable and fixed rate financial instruments:

Table no 50

#### VARIABLE AND FIXED INTEREST RATE FINANCIAL INSTRUMENTS

	Present value 31.12.2016	Present value 31.12.2015
<b>Fixed interest rate instruments</b>		
Financial liabilities	12 450 239	19 736 048
<b>Floating interest rate instrument</b>		
Financial assets	1 511 626 915	1 567 686 603
Financial liabilities	3 752 503 300	3 609 442 596

The Company has analyzed variable-interest instruments' sensitivity to changes in market interest rates. The table below presents an impact of 100 pp increase and decrease interest rates on the net profit/loss and on equity less net profit/loss. This analysis was performed based on the assumption that all other variables, such as currency exchange rates, remain unchanged. The analysis was performed for the current year and for the comparative period.

Table no 51

#### SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS

	Income statement		Equity	
	increases 100bp	decreases 100bp	increases 100bp	decreases 100bp
31 December 2016	(22 408 764)	22 408 764	-	-
31 December 2015	(20 417 560)	20 417 560	-	-

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### e. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business.

The Company monitors changes in the structure of shareholders, the return on capital and the level of dividends paid to shareholders.

It is the objective of the Company to achieve such value of return on equity that would satisfy the shareholders and guarantee yearly payment of dividend.

There were no changes in the Company's capital management goals, rules or processes in place during the presented period.

#### f. Fair value

As at December 31, 2016, fair value of financial instruments was similar to their carrying value. The Company holds interest rate security instruments (IRS) carried at fair value. For these IRS, fair value was recognized as level 2 in the hierarchy - fair value is determined on the basis of values observed on the market yet different than direct market quotes (e.g. through direct or indirect reference to other instruments existing on the market). With respect to the applied hedge accounting, the effect of valuation is presented in other comprehensive incomes.

### NOTE 35. OTHER SUBSEQUENT EVENTS

#### 1. Acquisition of 100% shares in EKO Holding S.A.

On January 4, 2017, Eurocash acquired 100% of shares in the company EKO Holding S.A. based in Nowa Wieś Wrocławska, for amount of PLN 127m (initially determined net asset value amounted to negative PLN 17m as at 31 December 2016.).

Eurocash acquired a network of almost 250 food stores EKO (operating mainly in southwestern Poland), which will allow for further development of Eurocash Group and better use of its potential. Consequently, this should translate into revenue growth in Eurocash Group. According to received information, the sales of EKO Holding in 2016 amounted to about PLN 950m.

Due to the short period between the acquisition of shares and the preparation of these separate financial statements, the Company did not made the basic allocation of the purchase price of the shares of EKO, as it is in the process of identification and valuation of assets and liabilities acquired.

#### 2. Resignation of a Member of the Management Board

On 13 January 2017, Mr. David Boner resigned from the position as Member of the Management Board of Eurocash S.A. with effect on 13 January 2017.

#### 3. Appointment of a Member of the Management Board

On 22 February 2017, Mr. Przemysław Ciał was appointed Member of the Management Board.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2016	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## SIGNATURES OF MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President of the Management Board	Luis Amaral	15 <sup>th</sup> March 2017	
Management Board Member Chief Executive Officer	Rui Amaral	15 <sup>th</sup> March 2017	
Management Board Member	Arnaldo Guerreiro	15 <sup>th</sup> March 2017	
Management Board Member	Pedro Martinho	15 <sup>th</sup> March 2017	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	15 <sup>th</sup> March 2017	
Management Board Member Financial Director	Jacek Owczarek	15 <sup>th</sup> March 2017	
Management Board Member	Przemysław Ciał	15 <sup>th</sup> March 2017	