EUROCASH GROUP S.A.

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

CONTENTS

PART A

REPORT OF THE MANAGEMENT BOARD

FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016

KOMORNIKI, MARCH 15, 2017

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.

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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 GROUP OPERATIONS IN 2016

PLN m	2016	2015	Change %
Sales revenues (traded goods, materials)	21 219,90	20 318,21	4,44%
EBITDA	440,49	475,63	-7,39%
(EBITDA margin %)	2,08%	2,34%	-0,27 p.p.
EBIT	274,28	325,08	-15,63%
(EBIT margin %)	1,29%	1,60%	-0,31 p.p.
Gross profit	235,92	265,64	-11,19%
Net Income	190,02	230,21	-17,46%
(Net profitability %)	0,90%	1,13%	-0,24 p.p.

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

Consolidated sales of Eurocash Group in 2016 amounted to PLN 21 219,90 m and increased by 4.44% YoY. Sales growth was driven mainly by sales of goods to clients integrated in partnership and franchise chains.

EBITDA in 2016 amounted to PLN 440.49 m compared with PLN 475.63 m previous year (a decrease by 7.39%). Decrease of EBITDA was attributable mainly to:

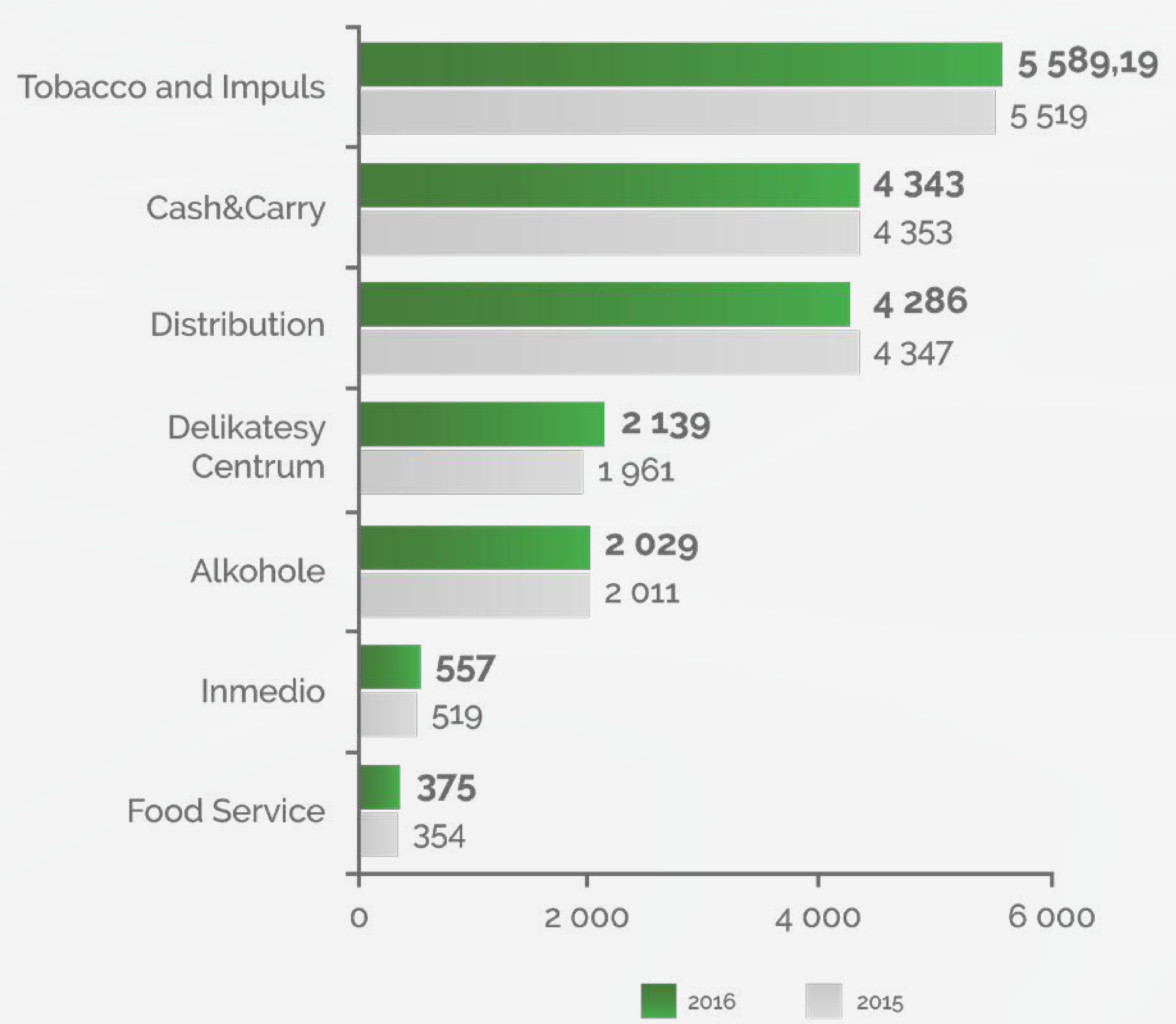
- lower than expected cost effectiveness of Cash & Carry chain due to deflation observed in this format over the past two years, and cannibalization of sales by new stores opened in the last two years, which resulted in lower contribution of Cash & Carry format to Group EBITDA by PLN 33 m.

- an increase in expenses on new strategic projects aimed to strengthen the position of independent retailers in Poland, such as: extension of the offer for Deliktesy Centrum stores by fresh products and development of innovative retail formats under the Kontigo, 1minute, abc on wheels, Duży Ben brands. The negative impact of the new projects on EBITDA amounted in 2016 to PLN 39 m and increased by PLN 19 m comparing to 2015.

The net profit in 2016 reached PLN 190.02 m, which means 17.46% decrease YoY. Net profit in 2016 was positively impacted by lower net financial costs due to decrease of the debt.

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.

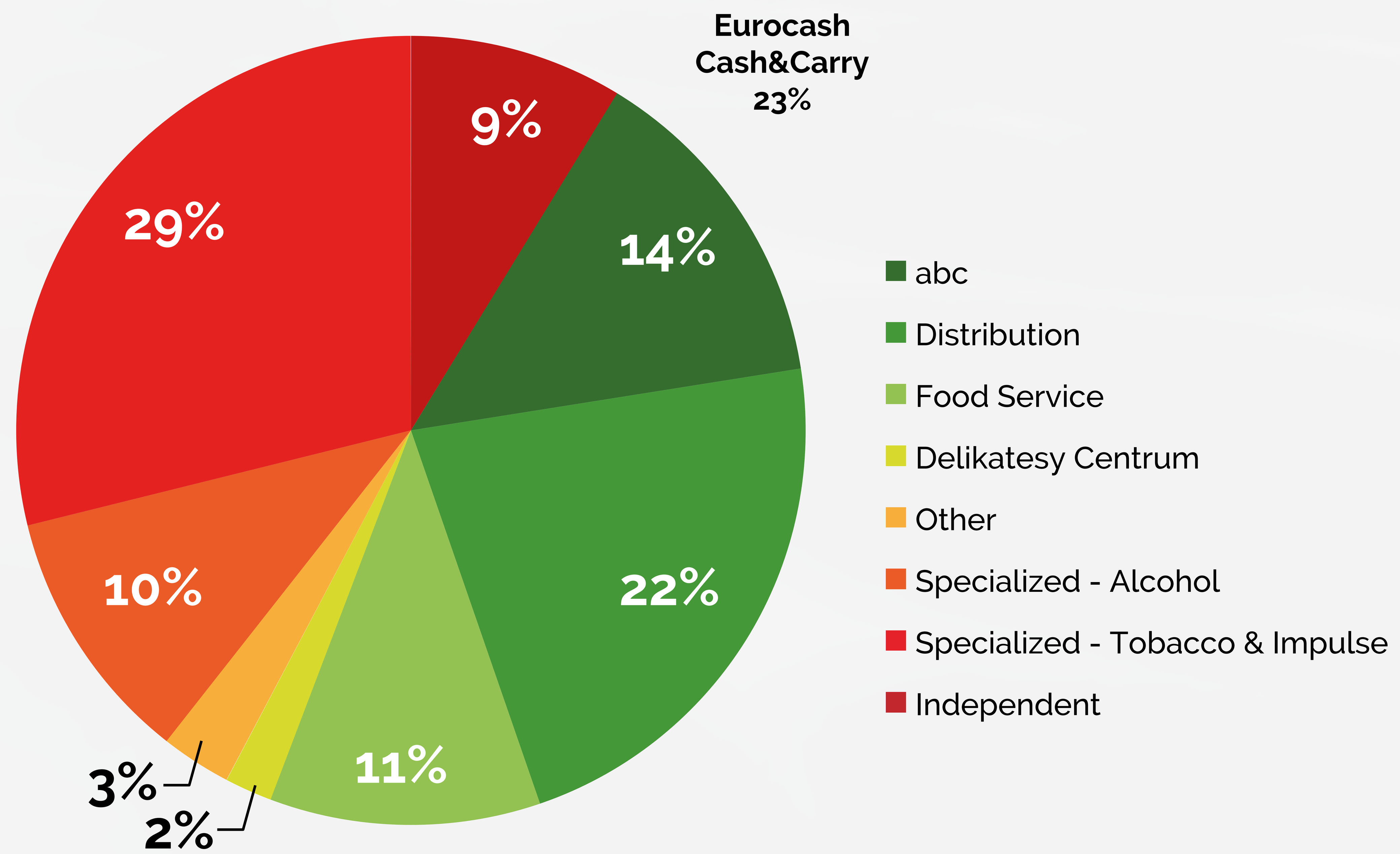
Chart 1. *Eurocash Group sales growth according to business units*



Sales of Delikatesy Centrum and Eurocash Serwis formats include sales to Firma Rogala subsidiary

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 in Tobacco and Impulse format was impacted by the mobile top-up category movement to PayUp and amounted to PLN 5 589.19 m – an increase by 1.27%. 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. Other formats of Eurocash Group, including inter alia Inmedio, PayUp and Firma Rogala realized external sales at level of PLN 1 314.88 m.

Chart 2. *Eurocash Group sales in 2016 according to business units*



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 %)	8,39	,7	11,5

Source: Central Statistical Office
** Preliminary data*
*** As at year end*

EUROCASH GRUPA

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%.

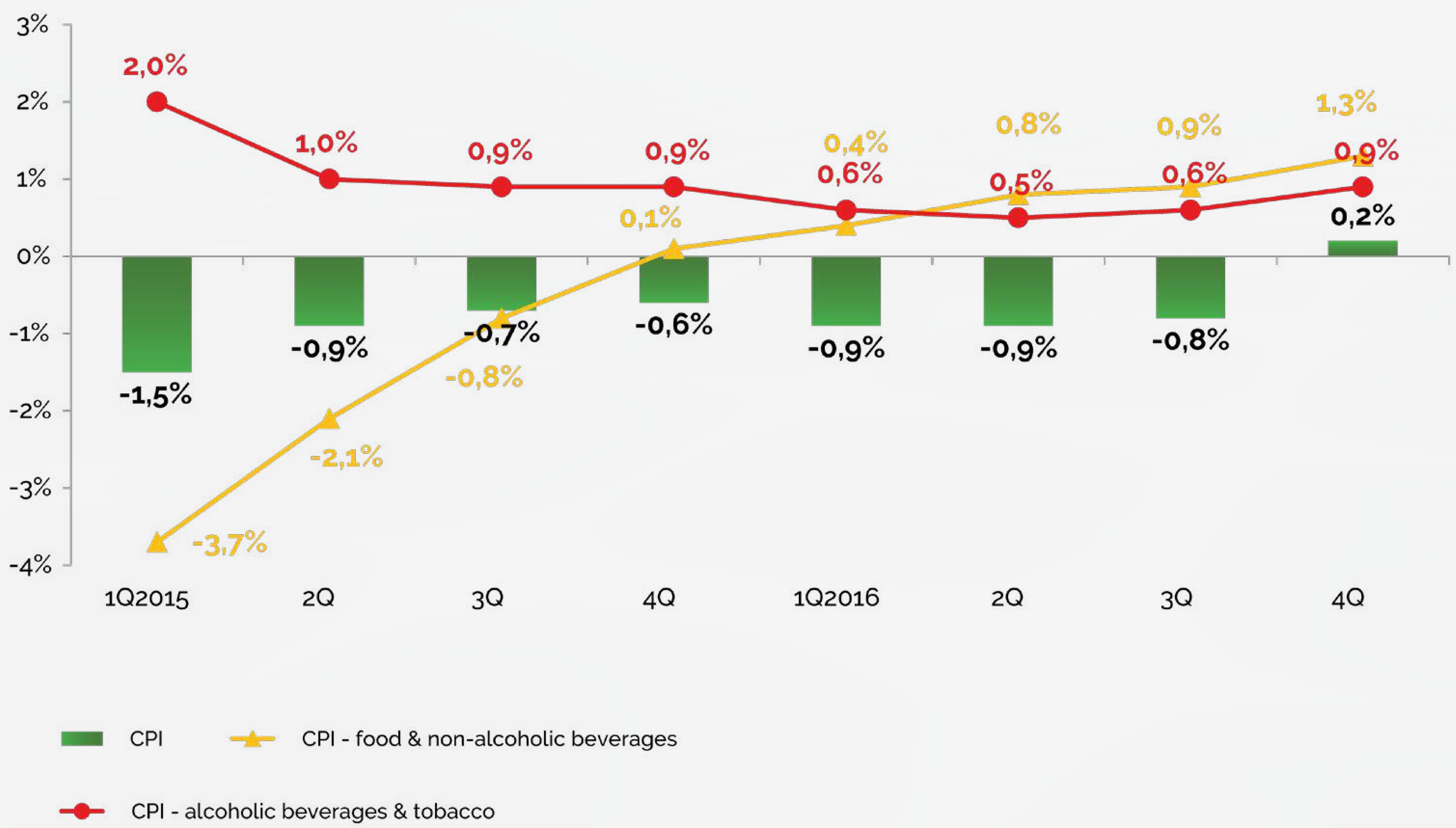


Chart 3. *Dynamics of price indices of consumer goods and services (CPI)*

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.

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.

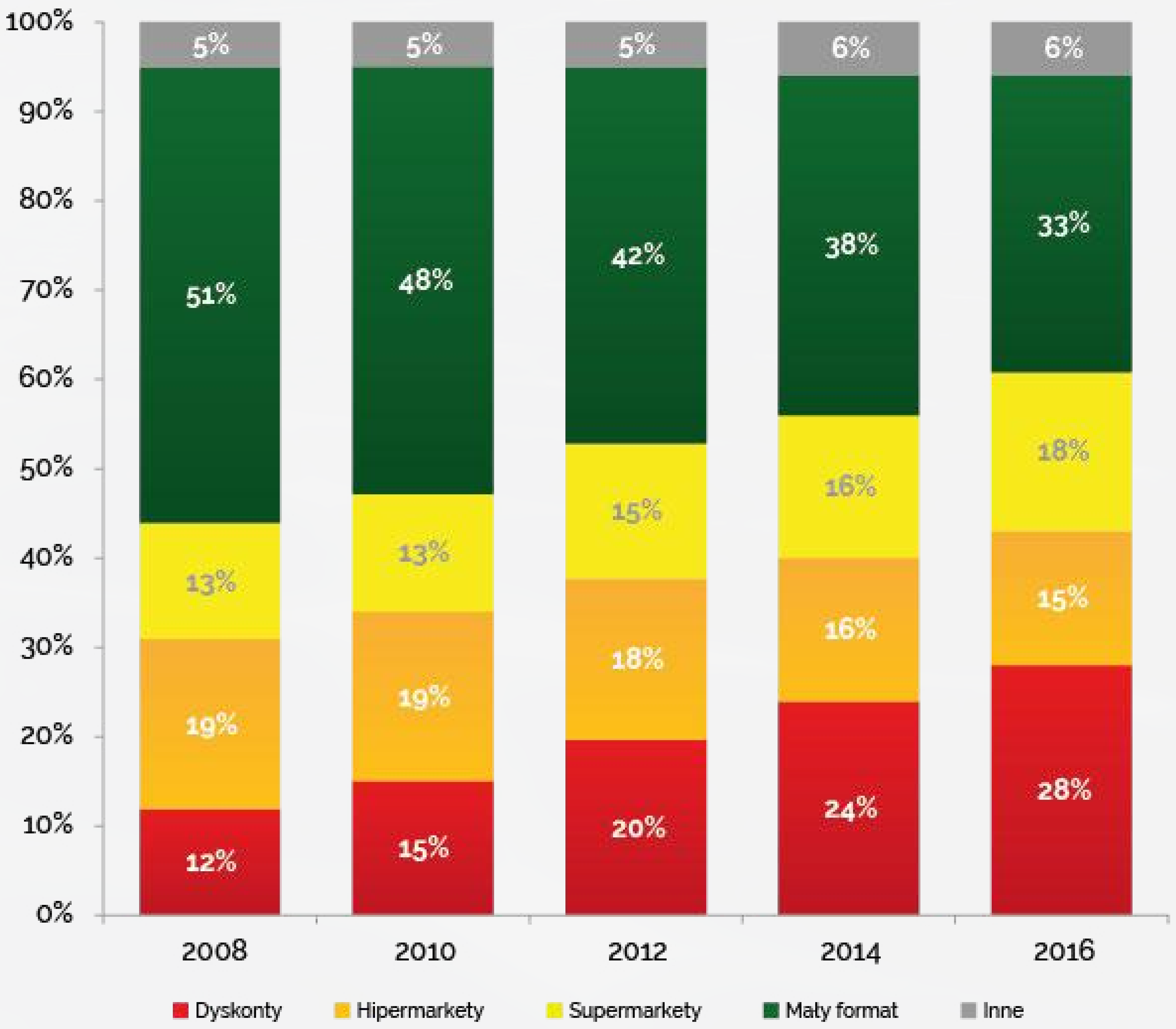
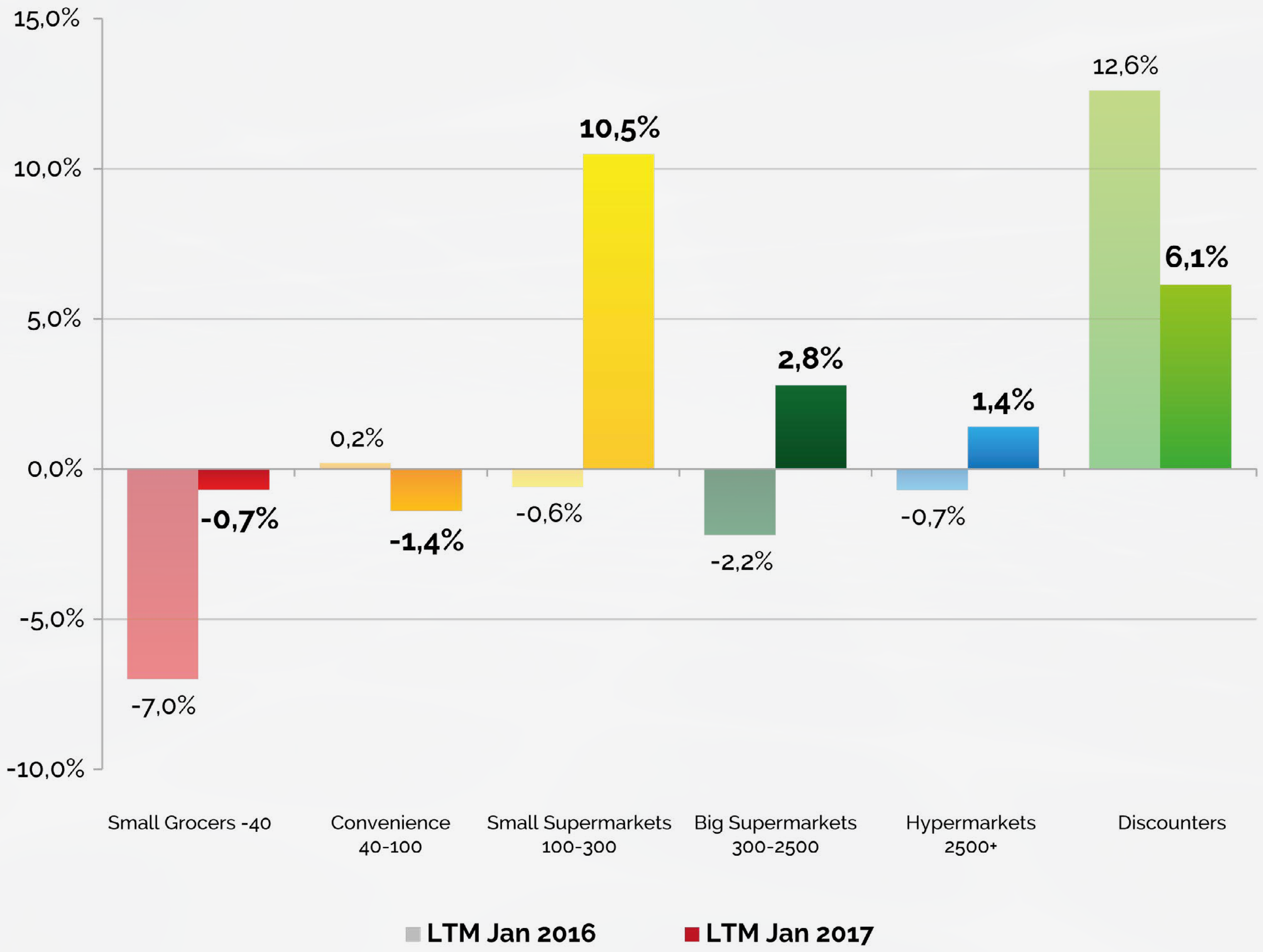


Chart 4. *Structure of FMCG Market in Poland* *Source: GfK Polonia*

Chart 5. *Last Twelve Month (LTM*) sales dynamics of FMCG** products*



Source: Nielsen

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

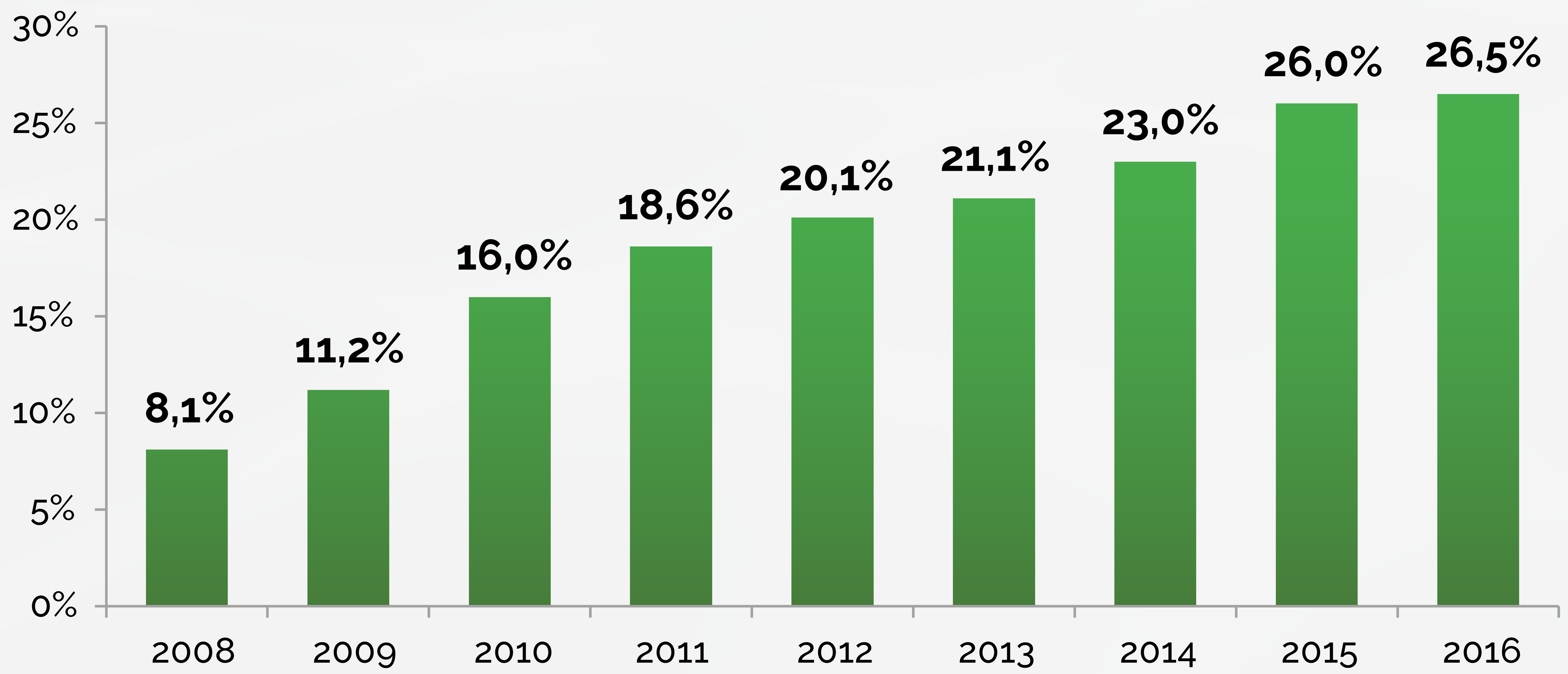
*** Small supermarkets, Convenience, Small Grocers – Food sales dynamics*

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 6. *Market share of Eurocash Group during 2008-2016*



Source: Own estimates following GfK Polonia

Trends on the Polish FMCG Market

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 7. *Eurocash Group focused on small format stores*

Cash & Carry

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 nation wide 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 Dystribution 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 8. *The structure of the Eurocash Group and its affiliated companies as at December 31, 2016:*

EUROCASH S.A.

WHOLESALE SUBSIDIARIES

- 76% Eurocash Serwis Sp. z o.o.
- 100% DEF Sp. z o.o.
- 100% Polska Dystrybucja Alkoholi Sp. z o.o.
- 100% Jantoń Detal Sp. z o.o.
- 66% Zagłoba Sp. z o.o.

FRANCHISE SYSTEMS

- 100% Eurocash Franczyza Sp. z o.o.
- 66,6% Lewiatan Holding S.A.
- 100% Lewiatan Podkarpacie Sp. z o.o.
- 100% Lewiatan Północ Sp. z o.o.
- 100% Lewiatan Kujawy Sp. z o.o.
- 100% Lewiatan Wielkopolska Sp. z o.o.
- 100% Lewiatan Opole Sp. z o.o.
- 100% Lewiatan Orbita Sp. z o.o.
- 100% Lewiatan Zachód Sp. z o.o
- 100% Lewiatan Podlasie Sp. z o.o.
- 100% Lewiatan Śląsk Sp. z o.o.
- 100% Detal Podlasie Sp. z o.o.
- 100% EURO SKLEP S.A.
- 50% PSD S.A.

RETAIL SUBSIDIARIES

- 51% Inmedio Sp. z o.o.
- 50% Firma Rogala Sp. z o.o.
- 100% Eurocash Detal Sp. z o.o.
- 100% Eurocash Convenience Sp. z o.o.
- 100% Kontigo Sp. z o.o.
- 100% Duży Ben Sp. z o.o.
- 50% FHC-2 Sp. z o.o.
- 50% Madas Sp. z o.o.

OTHER

- 100% PayUp Polska S.A.
- 44% Frisco S.A.
- 100% Eurocash Trade 1 Sp. z o.o.
- 51% Eurocash Trade 2 Sp. z o.o.
- 100% Premium Distributors Sp. z o.o.
- 100% Przedsiębiorstwo Handlu Spożywczego sp. z o.o.
- 100% Eurocash VC2 Sp. z o.o.
- 100% Eurocash VC3 Sp. z o.o.
- 100% abc na kołach Sp. z o.o.
- 100% Eurocash Food Sp. z o.o.
- 51% Sushi To Go Sp. z o.o.
- 51% Sushi To Go Sp. z o.o. Sp. k.
- 100% 4vapers Sp. z o.o.
- 100% Eurocash Nieruchomości Sp. z o.o.
- 100% Detal Finanse Sp. z o.o.

3.1. EUROCASH GROUP 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 GROUP

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:

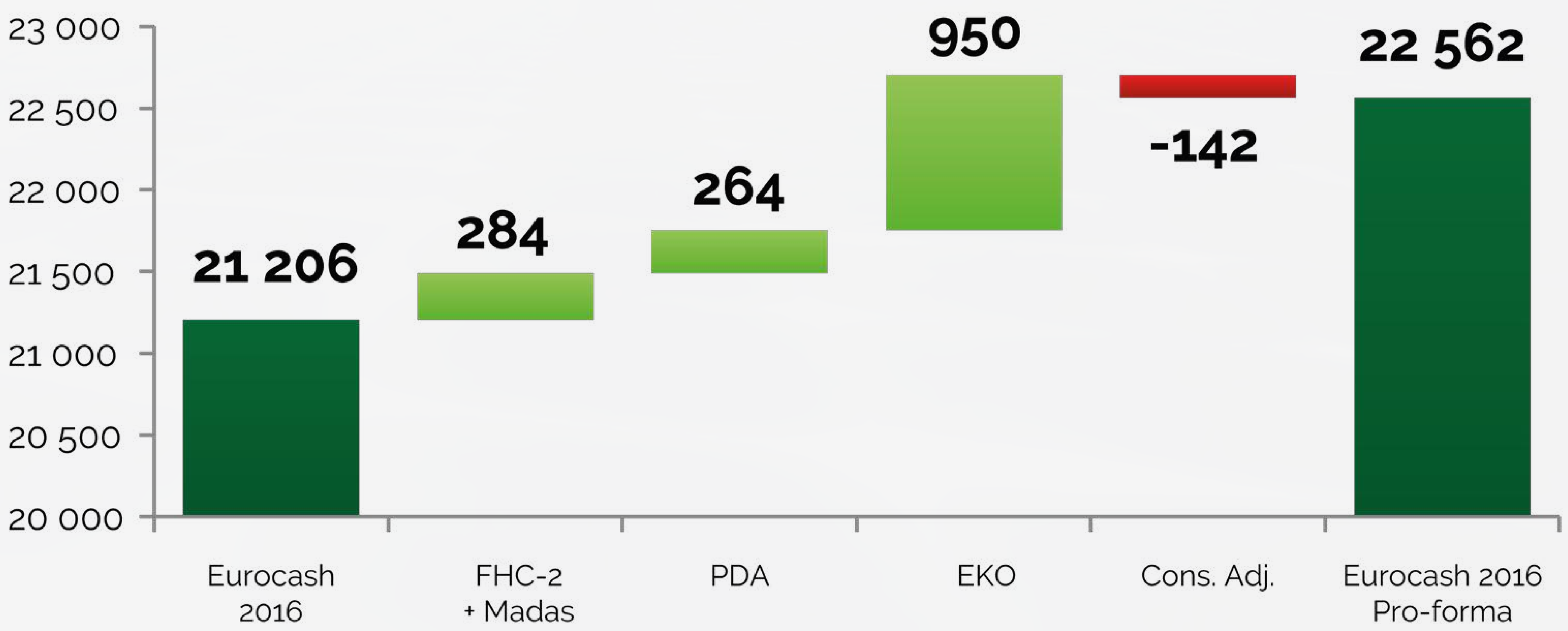


Chart 9. *Sales of Eurocash Group and acquired companies (PLN m).*

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 (*Project Fresh*). 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.

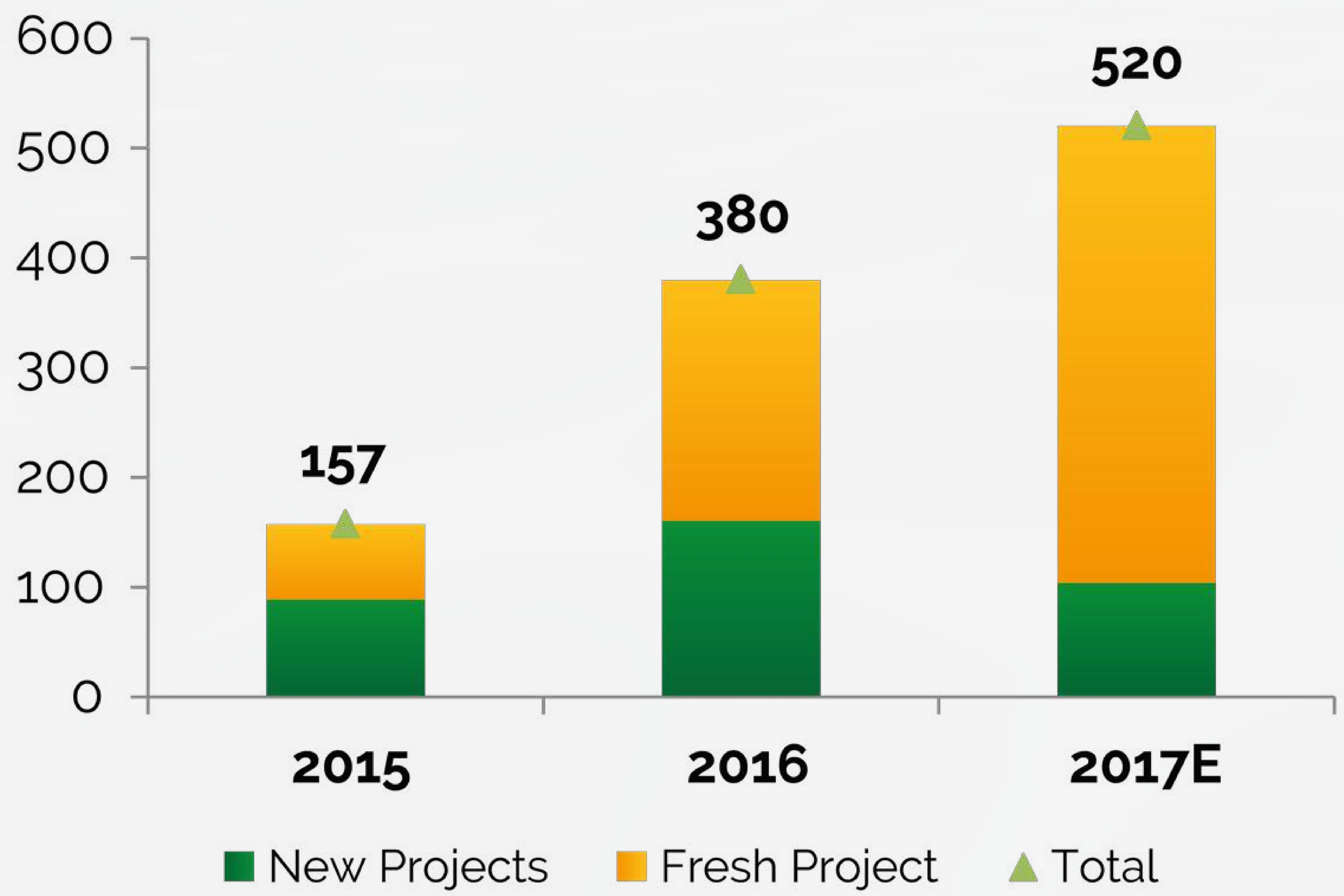


Chart 10. *Sales of New Projects and Fresh Project (PLN m).*

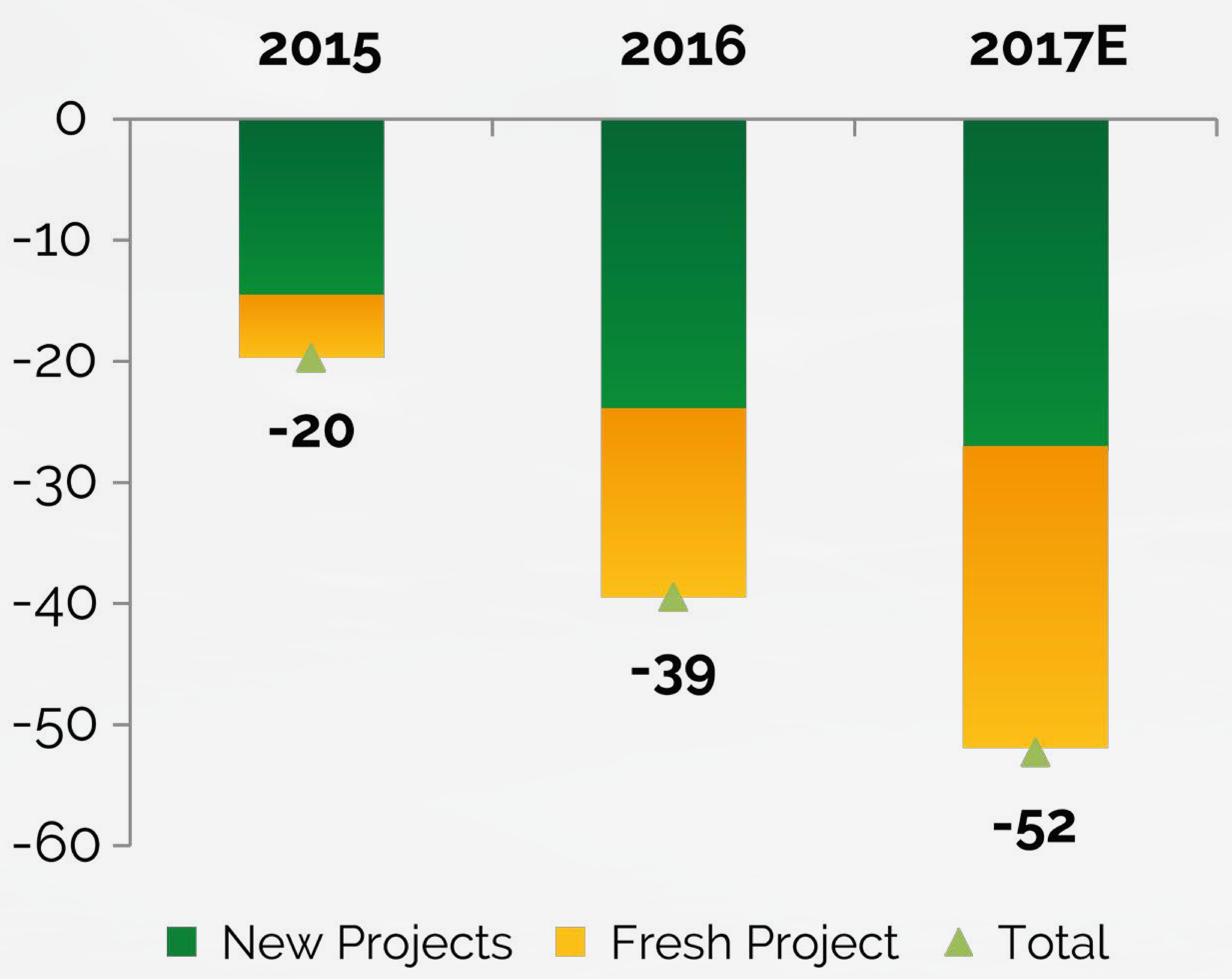


Chart 11. *EBITDA of New Projects and Fresh Project (PLN m).*

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 consolidated financial statements for 2016, which constitute a part of the Eurocash Group's annual report for 2015. Other significant risk factors related to the operations of the Eurocash Group S.A. 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 the Eurocash Group.

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. 39%. 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 GROUP FINANCIAL PERFORMANCE FOR 2016

4.1 PRINCIPLES APPLIED IN THE PREPARATION OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The Parent's consolidated 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 additional information to the consolidated financial statement of Eurocash Group for the FY2016 and was applied to all periods presented in the financial statement

4.2 EUROCASH GROUP: FINANCIAL AND OPERATIONAL HIGHLIGHTS

PLN m	2016	2015	Change %
Sales revenues (traded goods, materials)	21 219,90	20 318,21	4,44%
EBITDA	440,49	475,63	-7,39%
(EBITDA margin %)	2,08%	2,34%	-0,27 p.p.
EBIT	274,28	325,08	-15,63%
(EBIT margin %)	1,29%	1,60%	-0,31 p.p.
Gross profit	235,92	265,64	-11,19%
Net Income	190,02	230,21	-17,46%
(Net profitability %)	0,90%	1,13%	-0,24 p.p.

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

Consolidated total sales of Eurocash Group in 2016 amounted to PLN 21 219.90m and increased by 4.44% YoY. Sales growth was driven mainly by sales of goods to clients integrated in partnership and franchise chains.

Below we present some financial and operational data according to business units:

Cash&Carry – including Eurocash Cash&Carry and Batna stores

Delikatesy Centrum – – encompassing sales of Eurocash S.A. to retail stores supplied based on franchise and distribution contracts executed with Eurocash Franczyza Sp. z o.o

Tobacco & Impulse – sales of Eurocash Serwis Sp. z o.o

Alcohol Distribution – sales of Eurocash S.A. in Eurocash Alkohole format

Eurocash Food Service – sales of Eurocash S.A. realized to gastronomy points (HoReCa)

Eurocash Distribution consisting of:

- active distribution companies (Eurocash S.A. after merger with Tradis Sp. z o.o., DEF Sp. z o.o., AMBRA Sp. z o.o.), and

- companies organizing or supporting franchise chains of retail shops: : Euro Sklep S.A., Lewiatan Holding S.A., Lewiatan Podlasie Sp. z o.o., Lewiatan Śląsk Sp. z o.o., Lewiatan Zachód Sp. z o.o., Lewiatan Północ Sp. z o.o., Lewiatan Opole Sp. z o.o., Lewiatan Wielkopolska Sp. z o.o., Lewiatan Podkarpacie Sp. z o.o., Lewiatan Kujawy Sp. z o.o., Lewiatan Orbita Sp. z o.o.

- Detal Podlasie Sp. z o.o. (company operating retail stores in Lewiatan chain).

Other - sales revenues of companies: : Inmedio Sp. z o.o, PayUp Polska S.A., Eurocash Convenience Sp. z o.o., Kontigo Sp. z o.o., Eurocash Franczyza Sp. z o.o., Eurocash Detal Sp. z o.o., Eurocash Trade 1 Sp. z o.o., Eurocash VC 2 Sp. z o.o., Eurocash VC 3 Sp. z o.o., ABC na kołach Sp. z o.o., Firma Rogala Sp. z o.o., Duży Ben Sp. z o.o., 4Vapers Sp. z o.o.,

PLN m	External sales of goods 2016	2015	Change %
Cash&Carry	4 342,52	4 353,05	-0,24%
Delikatesy Centrum	2 138,96	1 961,28	9,06%
Tobacco+Impulse	5 589,19	5 519,23	1,02%
Alcohol distribution	2 029,15	2 011,50	0,88%
Eurocash Food Service	375,38	353,71	6,13%
Eurocash Distribution	4 286,10	4 346,88	-1,40%
Other	1 314,88	693,94	89,48%
Consolidation adjustments	-203,2		
Total	19 872,98	19 239,58	3,29%

__Table 5.__ Eurocash Group: Sales Mix by Distribution Formats in 2016

Cash & Carry

- In 2016 external sales of Cash&Carry format amounted to PLN 4 342.52m. comparing with PLN 4 353.05 m (decrease by 0.24%).

- LFL sales growth (same number of stores) in Eurocash Cash&Carry stores in 2016 reached negative 3.47% .

- The number of Eurocash Cash&Carry stores at the end of 2016 amounted to 190 (including 3 Batna stores).

- The number of abc stores amounted to 8 605 at the end of 2016.

- In 2016 shares of abc stores in total sales of Eurocash Cash&Carry stores amounted to 61.15%

Delikatesy Centrum

- Wholesale sales realized by „Delikatesy Centrum" Distribution Centers in 2016 amounted to PLN 2 138.96m, 9.06% higher than in 2014.

- Excluding sales to Firma Rogala stores, wholesale sales amounted to PLN 1 955.96 m in 2016.

- LFL growth of wholesale sales realized by Eurocash to „Delikatesy Centrum" franchise stores amounted to 5.59% in 2016.

- LFL growth of retail sales realized by „Delikatesy Centrum" franchise stores amounted to 1.61% in 2016.

- Number of "Delikatesy Centrum" franchise stores at the end of 2016 amounted to 1086.

Tobacco & Impulse:

• External sales of goods in Eurocash Serwis amounted in 2016 to 5 589.19 m and increased by 1.27% YoY.

• Excluding sales to Firma Rogala stores, wholesale sales amounted to PLN 5 568,99 m in FY 2016.

• Sales of food category in Eurocash Serwis in 2016 increased 21.1% YoY.

• In terms of volume, sales of cigarettes in 2016 to external clients increased by 2.17% and amounted to 8 850 m pieces of cigarettes.

• Number of Eurocash Serwis branches as of the end of 2016 amounted to 172

Alcohol Distribution

• Sales of Eurocash Alcohole in 2016 amounted to PLN 2 029.15 m, 0.88% higher than in 2015

• Excluding sales on export, sales of Eurocash Alkohole increased in 2016 by 4.3% YoY.

Eurocash Food Service

• External sales of goods of Eurocash Food Service in 2016 amounted to PLN 375.38 m, an increase by 6.13% YoY.

Eurocash Distribution

• Sales of goods of Eurocash Distribution in 2016 reached PLN 4 286.10m in comparison to PLN 4 346.88m year before (a decrease by 1.40%).

• Excluding sales on export, sales of Eurocash Distribution increased in 2016 by 4.4% YoY

• Increase of sales was driven mainly by higher sales to franchise clients.

• Number of partnership or franchise stores organized by companies belonging to Eurocash Group (Groszek, Euro Sklep, Lewiatan and PSD) amounted to 4 750 stores as of the end of 2016.

4.3 PROFIT AND LOSS ACCOUNT – PROFITABILITY ANALYSIS

PLN m	2016	2015	Change %
Sales revenues (traded goods, materials)	21 219,90	20 318,21	4,44%
Gross profit (loss) on sales	2 183,79	2 016,83	8,28%
Gross profitability on sales (%)	10,29%	9,93%	0,37 p.p.
EBITDA	440,49	475,63	-7,39%
(EBITDA margin %)	2,08%	2,34%	-0,27 p.p.
EBIT	274,28	325,08	-15,63%
(EBIT margin %)	1,29%	1,60%	-0,31 p.p.
Gross profit	235,92	265,64	-11,19%
Net Income	190,02	230,21	-17,46%
(Net profitability %)	0,90%	1,13%	-0,24 p.p.

Table 6. *Eurocash Group: Financial Performance for 2016*

Consolidated total sales of Eurocash Group in 2016 amounted to PLN 21 219.90 m and increased by 4.44% YoY. Sales growth was driven mainly by sales of goods to clients integrated in partnership and franchise chains.

EBITDA In 2016 amounted to PLN 440.49 m compared with PLN 475.63 m previous year (a decrease by 7.39%). Decrease of EBITDA was attributable mainly to:

• lower than expected cost effectiveness of Cash & Carry chain due to deflation observed in this format over the past two years, and cannibalization of sales by new stores, opened in the last two years, which resulted in lower contribution of Cash & Carry format to Group EBITDA by PLN 33 m.

• an increase in expenses on new strategical projects to strengthen the position of independent retailers in Poland, such as the extension of the offer for Deliktesy Centrum stores by fresh products and the development of innovative retail formats under the brand Kontigo, 1minute, abc on wheels, Duży Ben. The negative impact on EBITDA due to new projects amounted in 2016 to PLN 39 m and increased by PLN 19 m comparing to 2015.

The net profit in 2016 reached PLN 190.02 m, which means 17.46% decrease YoY. Net profit in 2016 was positively impacted by lower net financial costs due to decrease of the debt.

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:

PLN m	31.12.2016	%%	31.12.2015	
Non-current assets (long-term)	**2 320,874**	**2,03%2**	**245,984**	**5,14%**
Goodwill	1 254,11	54,04%	1 172,30	52,20%
Intangible assets	358,32	15,44%	378,64	16,86%
Property, plant and equipment	587,39	25,31%	569,29	25,35
Investment real property	0,99	0,04%	1,000	,04%
Investments in equity accounted investees	34,95	1,51%	35,69	1,59%
Other long-term investments	0,53	0,02%0	,53	0,02%
Long-term receivables	3,25	0,14%	3,020	,13%
Deferred tax assets	81,31	3,50%8	4,40	3,76%
Other long-term prepayments	0,01	0,00%	1,10	0,05%
Current assets (short-term)	**3 200,76**	**57,97%**	**2 729,42**	**54,86%**
Inventories	1 088,91	34,02%	967,93	35,46%
Trade receivables	1 748,18	54,62%	1 533,30	56,18%
Current tax receivables	8,96	0,28%	11,940	,44%
Other short-term receivables	139,874	,37%	106,80	3,91%
Other short-term financial assets	5,71	0,52%	--	
Short-term prepayments	47,25	1,48%	23,25	0,85%
Cash and cash equivalents	161,87	5,06%	86,20	3,16%
Total assets	**5 521,621**	**00,00%**	**4 975,411**	**00,00%**

Table 7. *Mix of Assets*

PLN m	31.12.2016	%	31.12.2015	%
Equity	**1 155,10**	**20,92%**	**1 161,13**	**23,34%**
Equity attributable to Owners of the Company	**1 085,65**	**93,99%**	**1 100,33**	**94,76%**
Share capital	139,10	12,04%	138,83	11,96%
Reserve capital	1 352,63	117,10%	755,12	65,03%
Hedging reserve	(6,31)	-0,55%	(10,64)	-0,92%
Option for purchase/selling the shares	(69,19)	-5,99%	-	0,00%
Retained earnings	(330,58)	-28,62%	217,02	18,69%
Non-controlling interests	(509,80)	154,21%	4,65	0,40%
Profit (loss) for the period	179,22	-54,21%	212,37	18,29%
Non-controlling interests	69,45	6,01%	60,81	5,24%
Non-current liabilities	**292,80**	**6,71%**	**220,68**	**5,79%**
Long-term financial liabilities	154,32	52,70%	158,98	72,04%
Other long-term liabilities	72,64	24,81%	3,10	1,40%
Deferred tax liabilities	60,34	20,61%	54,91	24,88%
Employee benefits	4,97	1,70%	3,50	1,58%
Provisions	0,53	0,18%	0,19	0,09%
Current liabilities	**4 073,71**	**93,29%**	**3 593,59**	**94,21%**
Loans and borrowings	275,07	6,75%	19,19	0,53%
Short-term financial liabilities	56,62	1,39%	82,57	2,30%
Trade payables	3 459,30	84,92%	3 225,54	89,76%
Current tax liabilities	7,56	0,19%	4,65	0,13%
Other short-term payables	71,55	1,76%	86,73	2,41%
Current employee benefits	84,54	2,08%	69,90	1,95%
Provisions	119,08	2,92%	**105,00**	2,92%
Liabilities	**4 366,52**	**79,08%**	**3 814,27**	**76,66%**
Total equity and liabilities	**5 521,62**	**100,00%**	**4 975,41**	**100,00%**

Table 8. *Mix of Liabilities*

Loan Agreements, Warranties and Collaterals

Loan agreements

Information on credit agreements concluded by the Group Eurocash is presented in Note 22 to

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. 34 to the consolidated 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 on incentive schemes based on the issue of Eurocash shares is provided in section 6.3.

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 consolidated financial statements, i.e. note no. 34 and 35.

4.6. EUROCASH GROUP CASH FLOW ANALYSIS

Cash flow Statement

PLN m	2016	2015
Operating cash flow	324,02	978,00
Gross profit (loss)	235,92	265,64
Depreciation	166,21	150,55
Change in working capital	(99,40)	522,06
Other	19,77	38,73
Cash flow from investments	(269,94)	(153,26)
Cash flow from financing activities	21,59	(825,46)
Total cash flow	75,67	(0,72)

Table 9. *Eurocash: Cash flows for 2016*

Total cash flow in 2016 amounted to PLN 75.67 m and operational cash flows amounted to PLN 324.02 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. Cash flow from investment activities amounted to negative PLN 269.94m in 2016, and was driven mainly by acquisition of new companies. Cash flow from financing activities amounted to PLN 21.59 m in 2016.

Working capital rotation

Turnover in days	2016	2015
1. Inventories turnover	18,78	17,39
2. Trade receivables turnover	30,15	27,54
3. Trade liabilities turnover	66,51	64,33
4. Operating cycle (1+2)	48,93	44,93
5. Cash conversion (4-3)	(17,58)	(19,40)

Cash conversion in 2016 reached -17.58 days comparing with -19.40 days in 2015. Higher rotation of trade receivables was attributable mainly to increased credit sales and decreased sales for cash.

Evaluation of Funds Management

The Eurocash Group 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 Group optimizes liquidity at subsidies 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 Group 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 36 in the part of the report which contains consolidated 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.

PLN m	2016	2015
Capital investment (including acquisition of shares and stock)	80,84	9,2
Independent clients	108,49	92,52
Active Distribution	12,58	20,72
Integrated clients	28,65	26,98
Projects	9,13	0
Others	18,66	27,17
Total investment outlays	258,35	176,59

Table 11. *Key Investment Directions for Eurocash Group in 2016*

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 4th 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 GROUP

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.

5.1. INFORMATION ON COURT PROCEEDINGS

In 2016, the Eurocash Group 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, the Eurocash Group companies entered into the following agreements considered significant for the Group's business operations:

Acquisition of 50% of shares in Firmia Rogala

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 16th December 2016 pursuant to the preliminary agreement of 15th 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 30th December 2016 pursuant to the preliminary agreement of 21th 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 CONCERNING EXECUTION BY THE ISSUER OR ITS SUBSIDIARY TRANSACTION WITH RELATED PARTIES

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

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 22nd February 2017 Supervisory Board of Eurocash agreed the resolution regarding the appointment on 22nd 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 consolidated financial statements of Eurocash Group for 2016 were audited by KPMG Audyt Sp. z o.o. sp.k. on the basis of a contract concluded on 24th June 2016. The consolidated financial statements of Eurocash Group for 2015 were audited by KPMG Audyt Sp. z o.o. sp.k. on the basis of a contract concluded on 30th 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:

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

Table 12. *Capital expenditures for audit and review of financial statements*

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.

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 are available on the website http://eurocash.pl/relacje-inwestorskie/lad-korporacyjny.

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.

	31.12.2016				31.12.2015			
Shareholder	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%
Total	**139096361**	**100,00%**	**139096361**	**100,00%**	**138829311**	**100,00%**	**138829311**	**100,00%**

Table 13. *Shareholders with Direct or Indirect Substantial Shareholding in Eurocash*

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:

	Eurocash shareholding		Share subscription rights	
Management Board	31.12.2016	31.12.2015	31.12.2016	31.12.2015
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 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
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 Szwajcowski	0	0	0	0

Table 15. *Shares in the company held by supervisory board and rights to subscription*

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

No securities which would grant special control rights neither preferential share 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.S.a.r.l., 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 1st – December 31st 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*

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

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 22nd February 2017 Supervisory Board of Eurocash agreed the resolution regarding the appointment on 22nd 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

VII. determine an internal division of duties and responsibilities for Management Board Members

VIII. set down Rules and other internal regulations of the Company unless the provisions of law or Articles of Association provide otherwise

IX. 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

X. request that the Supervisory Board submit an appraisal of draft resolutions which are to be presented to Shareholders at the Shareholders' Meeting

XI. 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 2015 is provided in the section of the annual report which contains the annual consolidated financial statements, in note n. 32.

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 1st – December 31st was as presented in the table below.

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. 32.

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 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 Körbe

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/pl/uploaddocs/ladkorporacyjny-zalaczniki/tekst-jednolityregulaminuwz-2009.2901813197.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

6.4 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 share holders who do not consent to the amendments requires that the resolution of the General Shareholders' Meeting be adopted by the majority of ¾ 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 ¾ 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

6.5. 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.

6.6. MATION 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 38,00	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.

6.7. 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.

7.1 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 Group in 2016 contains a true view of the development, achievements, and the position of Eurocash Group, 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 be the number of days in the period

TRADE LIABILITIES TURNOVER: the ratio of balance of trade liabilities at end of period to costs of 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

Position	Name and surname	Date	Signature
President of the Management Board	Luis Amaral	15^{th} March 2017	
Member of the Management Board Chief Executive Officer	Rui Amaral	15^{th} March 2017	
Member of the Management Board	Arnaldo Guerreiro	15^{th} March 2017	
Member of the Management Board	Pedro Martinho	15^{th} March 2017	
Member of the Management Board Human Resources Director	Katarzyna Kopaczewska	15^{th} March 2017	
Member of the Management Board Financial Director	Jacek Owczarek	15^{th} March 2017	
Member of the Management Board	Przemysław Ciaś	15^{th} March 2017	

PART B

NON-FINANCIAL REPORT
- CORPORATE SOCIAL RESPONSIBILITY

KOMORNIKI, March 15th, 2017

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1.1. STRATEGY

Eurocash Group is the largest Polish company in the field of wholesale distribution of food products and marketing support for independent Polish entrepreneurs in the retail business. The management of Eurocash Group aims, through its activities, to reach sustainable development of the business of the Group and its clients. The underlying objective of Eurocash Group is to ensure competitive advantage to independent retail in Poland, to offer added value for our customers, and to increase return on investment for the Group shareholders.

The Group implement its strategy by:

- meeting the customers' needs by supplying various distribution formats and forms of cooperation, and by providing the customers with the expected level of quality and service
- creating sustainable competitive advantage of the Group using the economies of scale
- systematic cost optimization and operations integration in all business units within the Group

The development of Eurocash Group is a response to the needs of the customers operating in the traditional retail market. Having acquired the best businesses in those distribution formats where the Group had not operated at all operated to a limited extent, we significantly expanded our customer base as well as the forms of collaboration we offer.

The strategy of Eurocash Group assumes further organic growth in each distribution format, combined with continued acquisitions of the best players in their respective segments of wholesale and franchise chains. Such transactions allow us to achieve the synergies of scale relatively fast, which translates into better trading conditions for Eurocash customers, and reinforced competitive power and market position for the Group.

1.2 MISSION

Eurocash aspires to be the leading Food and FMCG distributor in Poland. Through combination of our business know-how with the entrepreneurship of our clients and employees, we want to maximize our share in daily need products for the consumers in the countries where we operate.

1.3. VALUES

Responsibility

Each of us has precisely set business objectives, and is responsible for achieving them. Through effective use of all means available, we aim at meeting the challenges. Therefore, we all contribute to the Group growth and to the increase of its generated profit.

Accountability

We believe we are masters of our destiny; the challenges we face are only an opportunity to test ourselves and to apply new solutions and make improvements. We believe in the 360 philosophy, where each of us is assessed both by our superiors and by peers, subordinates, and internal clients.

Teamwork

In such a complex and dynamically growing organization as Eurocash Group, results may be achieved only though effective cooperation, ability to adjust to the changing environment, and strong motivation of all employees. Dynamic action, creativity and the synergies of teamwork help us achieve goals that bring satisfaction to both the whole company and the individual employee.

Transparency

In Eurocash Group we follow high ethical standards whenever dealing with employees, customers and suppliers. Each of us shall act in accordance with the law and fair practices, and respect all entities and persons with whom we do business. We comply with the rules of corporate governance of public companies, and information on the company actions and results is fully available.

Profit sharing

When Eurocash Group achieves the goals set, employees also have their share in the profit. Each of us is evaluated on the basis of our achievements – those with best results are rewarded higher than others. Courage in decision making, flexibility, effectiveness-increasing attitude and undertaking ambitious challenges are all highly valued.

Client service attitude

We believe that only by meeting and exceeding our clients' expectations we may grow and generate profit. Eurocash Group priority is and always will be to fulfil our clients' needs and to introduce solutions enhancing their competitiveness, owing to which our clients can reinforce their market position and increase their profitability.

Work enjoyment

In Eurocash Group we care about being an attractive employer. We achieve that by justly rewarding achieved results. It is also very important, that our employees gain satisfaction and pleasure from overcoming challenges set before them. The work environment in Eurocash Group in informal, enabling development and gaining experience in an exciting environment, full of passion and energy.

Entrepreneurial spirit

Entrepreneurship is in our DNA. We believe that in each of us there is a soul of an entrepreneur and, when properly motivated, it allows us to reach the impossible.

We actively analyse our environment to identify the opportunities for developing our customers' and our businesses. We innovate and consciously chose to take risk, believing that it would allow us to be the number one.

1.4. SUSTAINABLE DEVELOPMENT AND STAKEHOLDERS OF EUROCASH GROUP

Eurocash Group is a leading, in regards to sales value, active distributor of food and drinks for independent retailers in Poland. Through its activities, the Group strives for sustainable development, including social prosperity and health, and takes into account the expectations of stakeholders, while adhering to the law and international conduct standards.

In realizing its strategy of supporting competitiveness of independent store in Poland, the Group identifies the influence on a series of stakeholders, mostly on:

- Clients
- Suppliers
- Employees
- Society
- Environment
- Shareholders

Eurocash Group cooperates with a number of app. 79 thousands customer selling FMCG products and with 1 820 producers. As a partner of such a large number of entities Group creates an important part of the supply chain of FMCG products throughout the country.

Producers in cooperation with the Group benefits from the efficient distribution of their products through a network of the Group's customers, both in major cities and low-populated towns. Through this collaboration, the producers have may concentrate on the production process and brand awareness building, and at the same time avoid investment into own logistics system. Cost-effectiveness of Eurocash Group distribution is achieved through the use of logistics infrastructure to service many manufacturers at the same time regardless of the size of the order of selected by client products.

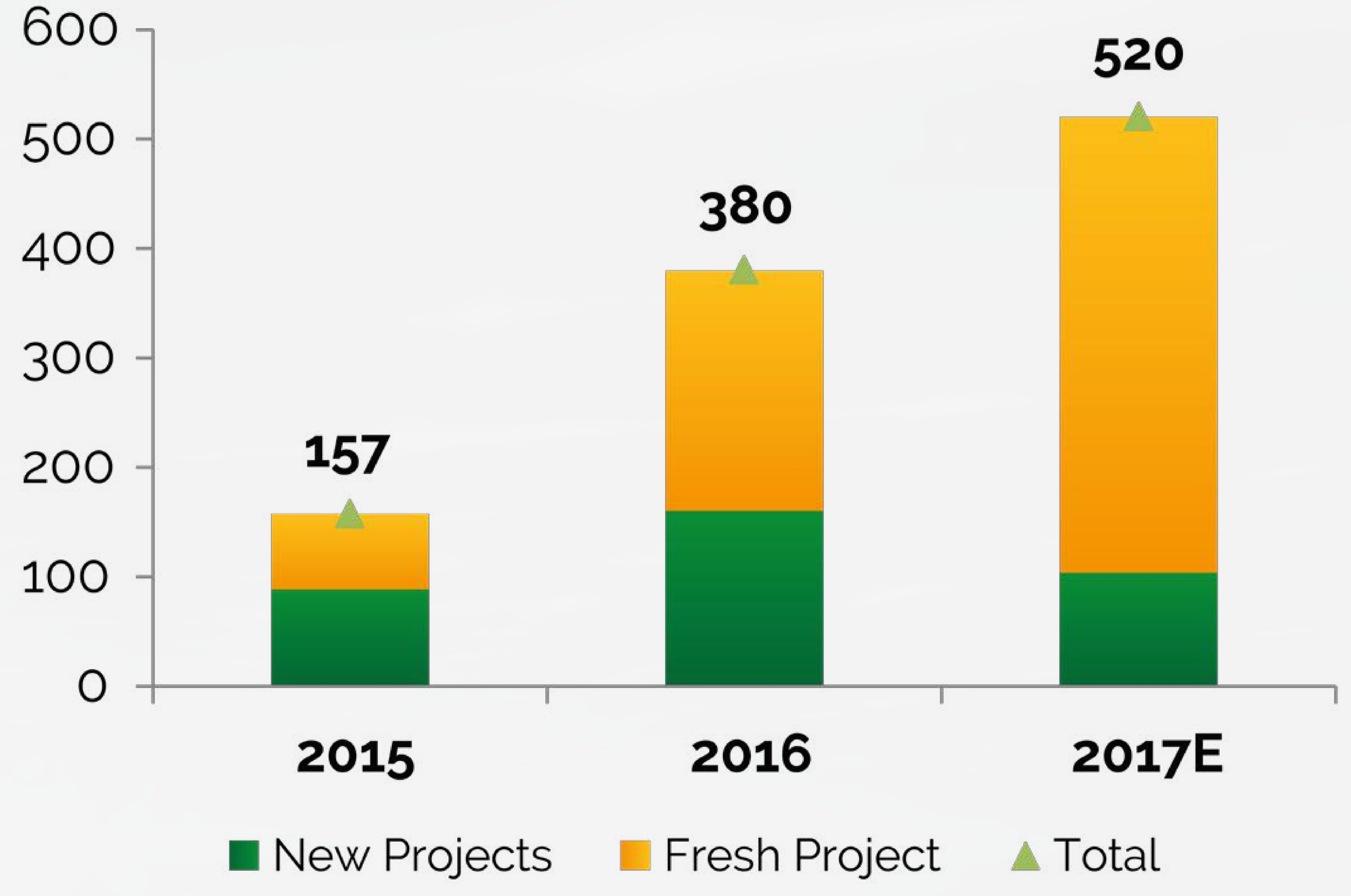
On the other hand, clients by cooperation with the Group benefit from economy of scale, negotiation position and marketing support what they could not achieve acting alone. Thanks to the various distribution formats, and also offer of a number well-developed franchise and partnership systems, the Group's customers have the opportunity to select a dedicated offer corresponding to the individual needs of consumers in their local market. Economy of scale of Eurocash Group at the end translates into possibility of usage a logistic system and the „know-how" by thousands stores and is at a comparable or even higher level than in the large-format retail chains.

With strong position of such a model of food distribution, entrepreneurship in the retail trade in Poland remains relatively higher in comparison to the European average. Despite decreasing number of stores recent years, small-format stores still have relevant importance and its market share in retail FMCG distribution reaches 39%.

2.1. INVESTMENT INTO NEW PROJECTS

The Eurocash Group, aiming to ensure long-term competitiveness for its clients in the area of distributing fast moving consumer goods, made the decision to invest in new projects, which aim to ensure that the independent entrepreneurs in Poland competitive advantage, professionality and enable generational succession. The long-term target of these activities is transforming many retail stores often managed by one person, into professional retail establishment, conducting business in many retail formats. An example of these research activities, are, among others, projects: Faktoria Win, Duży Ben, 1 minute, Kontigo, abc na kołach and the fresh product distribution project (Projekt Fresh). In 2016, the influence of the projects on the EBITDA of Eurocash Group amounted to PLN -39 m, and in 2017 the income is estimated at PLN -52 m EBITDA, excluding the Faktoria Win project, which successfully influenced the rebuilding the wine category in independent small format stores in Poland. The Faktoria Win project, should achieve a positive result on the EBITDA level in 2017.

Chart 1. *Eurocash Group: Sales realized by New Projects and Project Fresh (PLN m)*



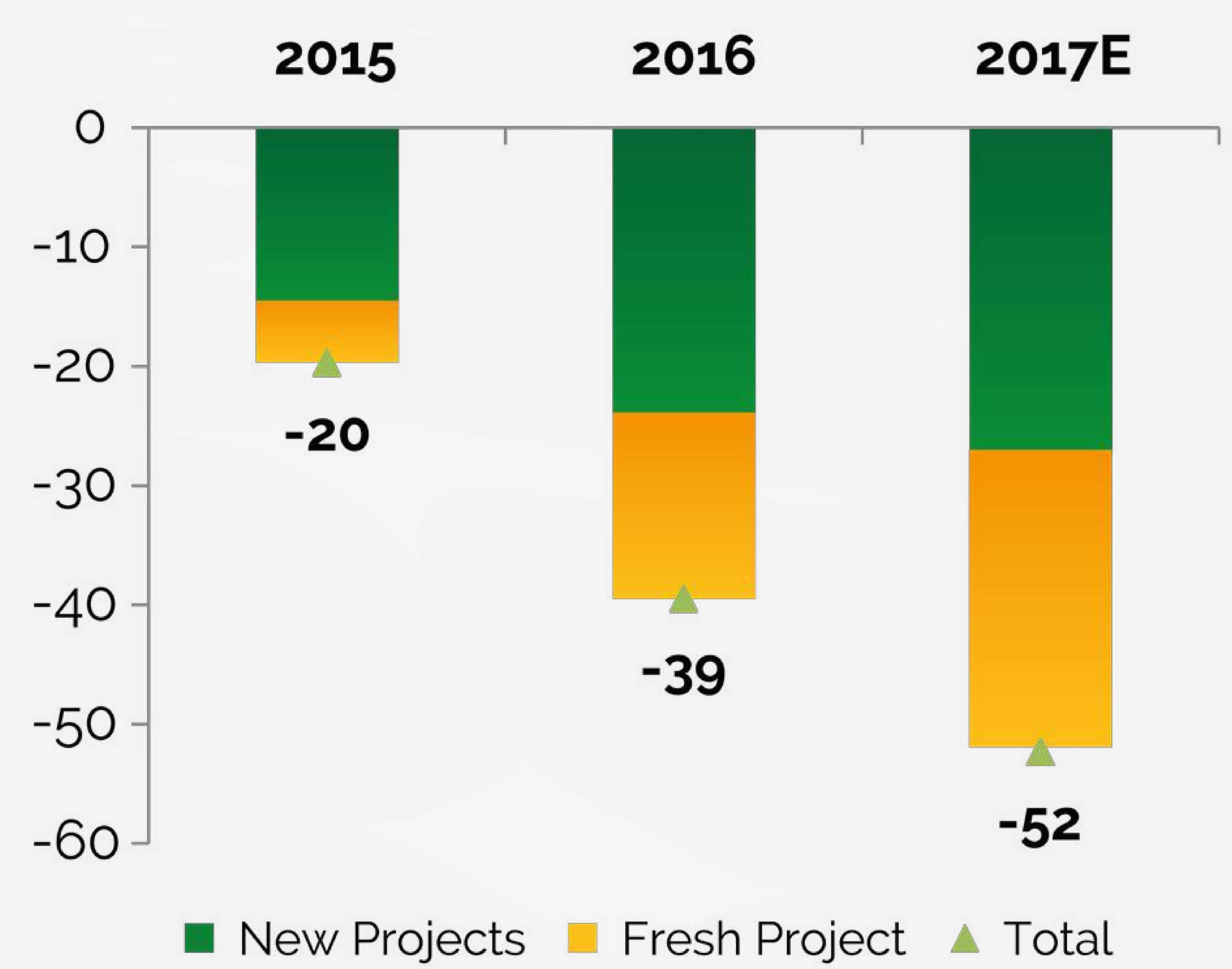


Chart 2. *Eurocash Group: EBITDA realized by New Projects and Project Fresh (PLN m)*

2.2. EUROCASH SKILLS ACADEMY

In 2016 a new, developed **Eurocash Skills Academy** has begun its activities – it's the first comprehensive qualification raising program in Poland, aimed at owners and employees of independent retail stores. A conference was organized in the framework of this project, which took place at the PGE National stadium. The list of participants included nearly 5000 owners and employees of franchise and partnership stores: abc, Delikatesy Centrum, Euro-Sklep, Gama, Groszek and Lewiatan. The participants took part in a series of lectures led by Eurocash Group experts and Academy partners – leading partners from FMCG companies and research institutions.

The Eurocash Skills Academy is a unique at a national scale training project which aims to expand knowledge regarding managing retail grocery stores, on the basis of changing trends in the FMCG market. The Academy was created in 2010 and since then educates owners and employees of stores on topics tied to managing a retail store in Polish market realities.

In realizing this project, the Group set itself three targets:

- giving partners access to current expert and specialist knowledge,
- ensuring the possibility of using modern education forms and methods and
- supporting an ongoing exchange of experiences.

The Eurocash Skills Academy is based on three pillars:

- an interactive education platform,
- workshops and
- conferences.

Education platform available at www.akademiaeurocash.com.pl. The new version of the service gives the user unlimited online access to multiple e-learning trainings tailored for the needs of grocery stores. The multimedia trainings available on the platform tie together lectures with practical uses for the knowledge gained. With the use of personalized service the users will also be able to register for workshops taking place in all of Poland and download materials from conferences.

Workshops is the practical part of the training program realized by the Eurocash Skill Academy. The participants take part in trainings, such as "Personnel management", "Grocery store employee" and "Losses in a grocery store". Monthly newsletters with interesting facts from the market and expert opinions serve as a supplement of that knowledge.

Substantive conferences are a meeting place for thousands of entrepreneurs from all of Poland during which the participants receive information necessary to run a store and current market knowledge. These meetings are an opportunity to broaden the knowledge on managing stores and to exchange experience. Taking place during the conference are also workshops, consultations and meetings with market experts from Poland and the world.

The Eurocash Skills Academy operates under the patronage of the Main School of Economics, the Polish Chamber of Commerce, Polish Franchiser Organization, Franchsing.pl and the Retail Learning Institute. Media patronage for the Academy is supplied by Poradnik Handlowy. Partners of the academy are: Carlsberg, CEDC, Coca-Cola HBC, Colian, E.Wedel, McCormick, Rybhand and Spomlek.

Thanks to the Academy Eurocash Group is able to supply the Clients with knowledge on modern standards which will allows them to strengthen their position in the independent retail market in Poland and beat their competitors.

2.3 COMPLAINTS AND RESOLVING DISPUTES

Direct clients have the ability to register complaints with the dedicated Customer Service Center which is responsible for transferring information to the appropriate department and finding solutions. At the same time, Eurocash Group makes the necessary effort, so the products being delivered are fresh and of highest quality.

2.4 BUSINESS SUPPORT

Direct clients can count on individual support from experienced Eurocash Group employees. In particular, Franchisees are ensured the support of experienced Client Advisors, IT staff and Sales Representatives. Clients have the ability to use a dedicated marketing strategy and promotional campaigns, encompassing promotional brochures, thematic catalogues, Own Brand Dobry Wybór! (Good Choice!) catalogues and loyalty programs.

2.5 COMMUNICATION AND DIALOGUE

Clients have access to a series of tools used to communicate with the Eurocash Group, first and foremost via the internet: e-platforms, internal message boards, dedicated websites. The clients also have the possibility of contacting Eurocash by phone, e-mail and personal. Meeting with Eurocash Group managers are organized cyclically.

In order to tailor strategies to the everchanging market environment, Eurocash Group conducts marketing research among its clients – most importantly satisfaction level studies and Mystery Shopper studies in franchise stores.

2.6 BUSINESS RELATED CONTRACTS

Eurocash Group negotiated a series of dedicated propositions for its direct clients, which are an optional supplement to the offers of franchise networks of the Eurocash Group. In the framework of this activity, the clients can utilize preferential conditions for the supply of, among others, energy, telecommunication services, cars, lighting and insurance policies.

3.1 EMPLOYMENT STRUCTURE

The employees have an invaluable influence on the shape and functioning of the Eurocash Group. The Group's financial result is largely reliant on their engagement and attitude. Creating human and intellectual capital is an intangible asset of the company. As of 31.12.2016 Eurocash Group (excluding acquired in December 2016 companies) employed 11 966 people in comparison to 11 622 at the end of 2015. The employment structure in by gender division of the employees and management, education and age has been presented below.

Employment structure by gender	2016	2015
Women	39%	36%
Men	61%	64%

Table 1 *Employment structure by gender in Eurocash Group as of 31.12.2016*

Management structure by gender	2016	2015
Women	37%	37%
Men	63%	63%

Table 2 *Management structure by gender in Eurocash Group as of 31.12.2016*

Employment structure by education	2016	2015
Basic	29%	26%
Professional	63%	63%
Secondary	16%	17%
Higher	22%	22%

Table 3 *Employment structure by education in Eurocash Group as of 31.12.2016*

Employment structure by age	2016	2015
under 31 years	34%	39%
31-40 years	39%	39%
over 40 years	27%	25%

Table 4 *Employment structure by age in Eurocash Group as of 31.12.2016*

Employment rotation	2016	2015
number of hired employees	4032	4352
number of employees who ceased employment	4191	4432
net result	-159	-80

Table 5 *Employment rotation level in the period from 01.01.2016 to 31.12.2016*

The above data does not take into account employment structures in companies take over at the turn of 2016 and 2017 ie.. FHC-2 i Madas, Polska Dystrybucja Alkoholi and EKO Holding.

3.2 WORKPLACE HEALTH AND SAFETY

A) HEALTH AND SAFETY DEPARTMENT REPORT

Health and Safety in Eurocash Group in most of all a system, theaimofwhichispreventativesecurityandworkenvironment monitoring all persons employed at the Eurostar Group. The Group employees specialized professional, whose task it is to, among others: increase awareness of security and work safety in the employees everyday lives, and their loved ones. The activities conducted by them, focused on, among others:

- conducting periodical work and safety trainings
- spreading knowledge and increasing skills from the range of giving first aid
- conducting activities in the area of fire safety

Amount of accidents	2016	2015
at work	221	223
on the way to work	49	40

Table 6 Amount of accidents

Workplace Health and Safety trainings	2016	2015
periodical	4529	3594
% of all employed	38%	31%
first aid	745	1373
% of all employed	6%	12%
hand trucks	496	744
% of all employed	4%	6%

Table 7 *Trainings carried out in the framework of Workplace Health and Safety*

3.3 EUROCASH FOUNDATION: SCHOLARSHIPS

Eurocash Group developed its scholarship programs, the aim of which is supporting gifted children of employees and clients of the Group, in gaining knowledge and developing their talents. In 2016, 136 children in total took advantage of these scholarships, including 50 children of Eurocash Group employees, and 86 children of people employed by Group franchisees.

3.4. TRAININGS

A) DEVELOPMENT AND EMPLOYEE TRAINING POSSIBILITIES

In caring the development of employee skills, Eurocash Group adopted a Policy of Development and Employee Trainings, adhering to basic rules:

- development in the workplace
- taking part in trainings and conferences
- financing education
- certifications and permits (IT, BHP permits etc.)
- learning foreign languages

In accordance with the adopted policy, an initial analysis of individual and group development / training needs is conducted during the budgeting process (August-October) of each year. The results of this analysis, are the basis of preparing a budget for development activity in the next year. Detailed plans of development/trainings (individual and group), regarding the next year, are accepted after the yearly employment process is finished for the current year. The development needs reported after that time, are realized as far as the budget allows, in accordance with priorities of individual business units.

In order to effectively realize the employee development program Eurocash Group introduces a multi-step division of responsibility, in which appropriate roles are assigned:

Employee Role

- taking responsibility for their own development: question about feedback, conversations with superiors about their skills and development needs, proposing development solutions
- taking part in development/training programs in accordance with a set plan
- using gained skills and knowledge in practice
- travel arrangements when taking part in an open training / conference

Supervisor Role

- identifying development needs of an Employee in accordance with the needs of the company/position or planned development path of the Employee
- verification of the Employee's progress in development and communicating feedback during 1on1 meetings and yearly review
- giving Employee support during the learning process and using new skills in practice

Personnel Department Role

- advisory in regards to choosing appropriate development methods
- looking for suppliers and development programs fulfilling the reported needs
- reporting and registering employee participation in open programs
- reserving accommodations in case of open trainings, conferences
- organizing group programs (including travel, accommodation)
- supporting the Supervisor in the Employee evaluation Process

DETAILED DESCRIPTION OF RULES

1. WORKPLACE DEVELOPMENT

A. Developing skills "in the workplace" is one of the most effective learning methods, following the rule that adults learn the quickest by doing

B.Eurocash Group strives to ensure the Employee's development possibilities in the workplace, mainly through:

- the possibility of realizing ambitious tasks in the framework of their positions
- rotation in work positions and moving in the framework of other business units
- taking part in project group activities
- coaching and supervisor support

2. TAKING PART IN TRAININGS AND CONFERENCES

A. Eurocash Group ensures the possibility of taking part in trainings and conferences for all Employees in the Company on the basis of the employment contract, after finishing the three month trial period.

B. Taking part in a development program for the Employee employed for a trial period, replacement contract and civil-legal contract requires the consent of the Personnel Director of the Eurocash Group.

C. Confirming the Employee's participation in a training/ conference an e-mail submission to the Personnel Department, no later than 5 days before the training/ conference starts.

3. EDUCATION FUNDING

A. Firma, na wniosek Pracownika, może dofinansować różne formy edukacji. Firma nie dofinansowuje studiów/programów edukacyjnych, które kończą się przygotowaniem pracy dyplomowej i egzaminem dyplomowym (głównie dotyczy to ww. trybu zakończenia edukacji na studiach licencjackich, magisterskich, podyplomowych, MBA).

4. CERTIFICATIONS AND PERMITS (IT, HEALTH AND SAFETY PERMITS, ETC.)

A. The Employer cover the certifications costs for employees, and the costs of them obtaining the required permits, in cases where the necessity of obtaining a certificate/permit stems from the range of tasks of their current position.

B. In cases of facultative certifications/permit, which are obtained as a result of the Employees initiative, the Employer will make a separate decision on reimbursing

- compliance with requirements of the position
- compliance with the training program for the year
- Employee evaluation – required yearly review at performer or top performer level, and positive Supervisor opinion
- individual contribution and initiative of the Employee into preparing for the certification and gaining permits

5. Learning foreign languages

A. Learning foreign languages will be reimbursed by the Employer in the following cases:

- one of the requirements for the work position is ongoing contact with foreigners
- the Employee's knowledge of the foreign language is not sufficient to ensure free contact with a foreigner
- The Employee achieved a satisfying result in a language test in the previous year (applies to people which already use the subsidy system)

B. The decision to grant subsidy for a given year, its amount and form of classes is made by the Managerial Staff Development Manager.

C. Verification of progress in learning a foreign language is made on the basis of the results of test organized at the end of every school year by the language school chosen by the Employer.

D. In case the required progress is not achieved, the Employer can halt the subsidy.

B) TRAINING STATISTICS

	2016	2015
Sales and customer service	575	598
Technical and product trainings	1180	1185
Managerial skill	1204	560
Total	**2959**	**2343**
% of all employed	25%	20%

***Table 8** Eurocash Group employee trainings*

C) LIBRARY

Keeping in mind the willingness to expand the employees knowledge, Eurocash Group conducts and constantly updates a library encompassing many areas useful in everyday work. Each employee, regardless of their workplace, can report their willingness to rent a certain book to the Personnel Department, after which the book is immediately transferred to the employee by internal post. A list of titles and their availability can be checked at any moment on the internal employee portal.

Books type	Amount
Economy and Business	77
Foreign language books	65
Psychology handbook	39
Encyclopedias and Guides	32
IT	21
Others	20
Marketing	10
Dictionaries	9
Total	**273**

Table 9 *Types of books in the Eurocash Library and their amount*

3.5 PERFORMANCE MANAGEMENT POLICY

The realization of the Eurocash Group's strategy requires engagement from all employees. The managerial staff and employees of central departments are encompassed by a performance management, on an annual basis.

Managing Performance is a management method allowing the company strategy to be realized by translating it to aims and daily practices of managers and employees. To put it simply:

- „playing" as Company, on team, for one goal,
- clearly defining, what is expected of the employee,
- regular meetings between the superior and employees concerning their progress in achieving targets
- the employees taking part responsibility for defining the method of achieving targets
- work method, in which managers help their employees and give them regular feedback
- reliable performance evaluation on the basis of clear criteria and feedback obtained during the whole year

The Performance Evaluation Process is comprised of the following stages:

1. Setting targets - defining targets for the current calendar year

2. 1on1 meetings - supervisor feedback for the employee, in regards to realizing aims and return – feedback from the employees for the superior. These meeting aim to define the expectations for each employee, foster their development, allow to evaluate the status of target fulfillment. It is recommend that these meetings occur at least 1 per quarter.

3. Yearly employee evaluation, a part of which is a 360 evaluation – an evaluation of the level of fulfillment of targets set for the employee for the previous calendar year, achievements and work skills.

In the framework of the 360 evaluation, the employees receive feedback regarding the skill not only from their supervisor, but also from their subordinates and employees in parallel positons. Thanks to that, they can recognize areas in which they can improve their skill, and therefore develop faster.

360 evaluation	2016	2015
Number of participants	2193	1833
% of all employed	18%	16%

***Table 10** Amount of people which took part in 360 Evaluation*

3.6 CAREER PATHS

A) MANAGERIAL PROGRAMS

In order to enable quick development of talented, ambitious and competitive students and alumni, Eurocash Group manages two managerial programs – Management Trainee (MT) and Sales&Operations Trainee (SOT). Both management programs aim to educate managerial staff able to conduct complicated projects in different departments of the Eurocash Group. The second one aims to trainee a staff specializing mostly in sales and logistics.

Each person joining the Management Trainee program, goes through an intensive 3 month training in different Euorcash Groups departments and locations. The next stage is an internship in two different departments, 6 months in each. After finishing the internship, the employee assumes a Junior Manager position in a chosen Eurocash Group Department, retaining the ability for further development and to take over key positions in the company, in the next few years.

Trainee program, the participants develop the skill working after an initial training as Sales Representatives and Client Advisors in the largest Eurocash business units, a after around 2 years, they assume Regional Sales Manager positions. The target position after finishing the SOT program is the Regional Operations Director.

Participating in managerial programs	2016	2015
Amount od participants	15	17

***Table 11** Amount of people which participated in Eurocash Group Managerial Programs*

B) SUMMER INTERNSHIP PROGRAM

Eurocash Group invests in the development of youth studying at higher learning institutions in Poland, giving them the ability to take part in a paid Summer Internship Program in the vacation period, i.e. free of university classes. The internship is intended for students at any point in their studies, of any major, who want to learn and develop, an most of all, characterized by curiosity, openness, commitment, motivation and courage.

The recruitment for the program is usually conducted on the turn of March and April. People who qualify for the program after a short internal turning and integration, have the ability to take part in a 2-3 month internship in a chosen Eurocash Group department.

Participating in the summer intership program	2016	2015
Amount od participants	23	20

Table 12 *Amount of people which participated in the Eurocash Summer Internship Program*

C) INTERNAL RECRUITMENT

Eurocash Group regularly makes information available on currently conducted recruitment processes. Thanks to that the employees have the ability to apply for a position, which should enable their further development. In the framework of internal recruitment, the employees can also recommend their friends and loved ones.

3.7 EMPLOYEE ENGAGEMENT SURVEY

In 2016 Eurocash Group has conducted Employee Engagement Survey for the first time. During the Survey employees can share their opinions, feeling and needs in regards to their work environment. The Survey has been carried out in complete confidentiality, and its results were gathered and analyzed by a company specialized in this type of survey– Aon Hewitt. After finishing the study, Eurocash Management, along with their employees, determined actions which enable the creation of a friendly work environment, enable further development and an increase in commitment in the employees. The responsibility to take action and make decisions on the basis of study results has been divided between 3 parties, which were assigned different roles in the process of building high Employee commitment:

- Management –whose roles is to remove barriers, which currently hinder the building of high commitment and planning group-wide initiatives.
- Personnel Department (Management and Trainers) –whose roles is to furnish the managers with knowledge and skills in the area of communicating results and planning actions.
- Managers –whose largest roles in engaging their people, because they're in the closest contact with their people and can most effectively choose and implement actions on the basis of study results.

3.8 INTERNAL COMMUNICATION

To better recognize the needs of employees, Eurocash Group conducts widely understood dialogue with employees. Communication channel with employees are:

- Twitter and Facebook,
- Employee portal, which contains the most important and newest information related to life “inside” the company. It also contains the “Idea Box” – a place which the employees can present and comment on ideas for changes inside the company – the best ones will be realized.
- EUROpress – an internal publication with information regarding current events, presenting employees of individual business units. The average circulation of the magazine amounted to 10 500 in 2016.
- Traditional channels – message boards, posters

3.9 MOTIVATION AND INTEGRATION

In 2016, Eurocash Group used the below tools and methods of non-fiscal motivation for employees:

• **Eurocash Group gift cards** - modern tool allowing to make holiday purchases in grocery stores. In 2016 nearly 11 043 gift cards were issued to employees of the Group.

• **Christmas packages** –in the Christmas period, the children of the employees receive gifts of candy from the Eurocash Group. In 2016, 7 444 packages were given out.

• **Family picnics** - an important element of holiday meeting of the employees and their families. They occur each year in 13 locations in all of Poland. In 2016, 22 755 people took part in the picnics (employees and their families). The picnics are a lot of fun for the kids and the adults.

• **Art contest** -. each, a contest is organized for the children of employees, which gives them the ability to exhibit their ideas and interpretation of a subject chosen by them. The best works are rewarded with prizes. In 2016 over 320 drawn works were submitted for the contest.

• **Ticket drawing** - each month, tickets are drawn for interesting events in Poland. Independently from the location, in which employee works and/or lives, they can take part in the drawing, and along with an accompanying person, take part in a given even for which they drawn tickets. In 2016, 44 drawings were organized, to which over 24 500 applications were sent.

• **Holiday parties** - each year, in all of Poland, holiday parties are organized for Christmas and New Year. It is a possibility, to spend time in holiday atmosphere, thank each for a year's hard work, and meet colleagues from other cities and locations.

• **Private medical care** - all Eurocash Group employees have the ability to buy, on preferential terms, a medical package from of the companies offering private healthcare services.

• **Services for employees** - Eurocash Group offer a package of various services in the framework of employee social support. Eurocash also supports athletically gifted children, which require subsidies for sports camps, which are key to shape young talents. In 2016, 497 children of Eurocash Group employees took advantage of summer camps.
An important element of social activity is granting non-refundable financial subsidies, Christmas vouchers for employees and packages for children.

• **Fitness Cards** - Eurocash Group in cooperation with external partner, provides the employees, on favorable terms, cards which allow them access to different athletic and entertainment institutions in the whole country. In 2016, 1 695 people took advantage of these cards.

3.10 EMPLOYEE RIGHTS

A) ANTIMOBBING POLICY

Eurocash Group assumed an Internal Antimobbing Policy, which sets the rules for counteracting mobbing in the Group. Eurocash Group Management counteracts mobbing and does not tolerate any actions and behaviors which show signs of mobbing. The policy defines, in detail, the method for submitting mobbing complaints by the employees, as well as the mode of explaining and handling complaints. Being familiar with and utilizing the Policy is the obligation of every Eurocash Group employee. The Eurocash Personnel Director is responsible for supervising and realizing those policies.

B) TRUST LINE

Each day, sever thousand Eurocash Group employees works honestly and reliably to realize their and the company's targets. However, it is possible, that individuals can put their own gains over the team's or act against the ethical and moral code, ignoring the effort and reliability of their colleagues. To quickly identify these situations and react appropriately (and eliminate such incidents in time), the Group launched a companywide Trust Line.

The Trust Line is used to report cases of:

- Theft
- Fraud
- Infringing on company Policies
- Mobbing
- Sexual harassment
- Other unethical conduct

Cases of abuse can be reported to a dedicated phone number, which is a attended by a dedicated employee on each Monday (10.00 – 12.00) and Thursday (14.00-16.00).

At any other time, the employees can leave a voice mail or send a text message to that same number, or send an e-mail to linia.zaufania@eurocash.pl or by traditional mail, by writing Trust Line on the envelope (address: Wiśniowa 11, 62-052 Komorniki). Any noticed abuse can reported directly, without prior exhaustion of formal methods. Accepted are named and anonymous reports (in case named reports, each case will exhaustively investigated, in case of anonymous reports – the investigation will be decided by an Audit). If the report contains contact data of the person reporting, the reported will be constantly updated on the case's development. Eurocash Group ensures **complete confidentiality**.

C) DIVERSITY IN THE WORKPLACE

The Eurocash Groups employees every person, regardless of their age, gender, nationality, ethnicity, race, creed, disability, sexual orientation and political views. The Group does not tolerate any actions and behaviors which bear the sings of any type of discrimination of another employee, contractor or third party.

3.11 CODE OF ETHICS

To ensure a high standard of work ethics and transparent business relations, Eurocash Group introduced ethical rules and standard, which apply to all Eurocash Group employees. These rules are complementary to Polish law, to which Eurocash Group adheres. Eurocash Group assumes, that all of its employees conduct themselves in an ethical manner, respecting Eurocahs Group values, and adopting the Code of Ethics aims to define conduct standards required from all Eurocash Group employees, in a clear and transparent manner. Adopting the Code of Ethics also aims to strengthen ethical templates and create a work environment, which promotes the values of the Eurocash Group.

1. PRACTICES WHICH BREACH THE CODE OF ETHICS OF THE EUROCASH GROUP:

Bribes

Giving and taking bribes or other benefits, financial or non-financial, is forbidden in the Eurocash Group. Making payments (for legal or physical entities), which can be used for aims not described on an invoice or on a contract is forbidden.

Gifts

Giving gifts is allowed only as a show of courtesy (not to achieve any gains), cannot infringe on the law (f.ex. money, narcotic drugs, pornoChartic materials and other illegal materials) and have to be adequate to the occasion and appropriate (f.ex. a small gadget, occasional Christmas gifts). Gifts can be given only, when it is in accordance with customs, generally accepted practices and cannot infringe on anybody's dignity or common decency. The maximal value of these gifts is 200 PLN gross. Gifts which exceed that amount, are considered a material gain, which is to be taxed and has to be settled with a PIT8C form by the person receiving the gift. That document has to be given to the person being given the gift along with the gift, so that the receiving person can decline the gift.

Accepting gifts from by employees is forbidden. All gifts, independent of format and occasion should be given over to the Personnel Department. Offering a gift to an employee, cannot influence their business decisions.

It is forbidden to use other physical or legal entities to circumvent any of the above entries.

Conflict of interest

Business transactions have to be conducted with the best interest of Eurocash Group in mind, while respecting rules of transparency and equal treatment for contractors. A Eurocash Group employee: cannot utilize any other business possibilities for targets conflicting with the interests of the Eurocash Group, cannot undertake any other form of employment, business activity or investment, which can come in conflict with interests of the Eurocash Group, cannot undertake any other form of employment, business activity or investment, which would make them unable, or would limit their ability to fulfill their duties to the Eurocash Group, cannot use the fact that they are a Eurocash Group employee to gain any additional benefits in an inappropriate manner, conflicting with common decency, their duties, and the interests of the Eurocash Group, is obligated to disclose if their spouse, relative or any person related by way of remaining in contact with Eurocash Group employee as a part of their business relations, is hired (this duty is also applicable in situations where the spouse, relative or related person conduct individual economic activity, are shareholders in companies, or sit on the board of companies with which the employee remains in business relations), cannot work to the disadvantage of the company.

Each potential conflict of interest should be immediately reported to a supervisor.

Labor law and discrimination

Eurocash Group operates in accordance with labor law.

Eurocash Group commits to support a workplace environment free of discrimination, molestation and mobbing. The success and promotion of individual employees are solely reliant upon the evaluation of their skills and work effectiveness. Eurocash Group does not tolerate discrimination on the basis of gender, creed, nationality, disability, race, age, sexual orientation, legal status, convictions and others. Molestation or mobbing are forbidden in any form (verbal, physical and mental).

Decisions regarding recruitment are made solely on the basis of the evaluation of ability, skill and aptitude of the employee, necessary to start work in a certain position.

Each case of discrimination, molestation or mobbing should be reported to a supervisor, or to HR. Each such case will be investigated, and appropriate remedial actions and workplace consequences will be taken. A trust line has been made available, where the employees can report any abuse or actions not in accordance with the code of ethics.

Eurocash Group Property

No material or immaterial assets which are the property of Eurocash Group cannot be used for purposes not in accordance with the law, or used by the employees privately or for the interests of third parties.

Finacial reporting

It is forbidden to enter false data into the accounting books or to present false date in order to enter it into the accounting books.

2. DUTY OF CONFIDENTIALITY

The employees are obligated to keep confidential any information and confidential data regarding the employer, as well as their contractors and clients, and especially, not to reveal that data in any way, or transfer it to any parties. Confidential information include: any company secrets, any technical, technological, organizational data and any other information which carry economic worth, which is not widely known. Confidential data, can be any other information which is not a company secret, but if revealed, can damage the company.

3. RADING BONDS USING CONFIDENTIAL INFORMATION

The Eurocash Board adopted any procedures regarding limiting access, use and revealing confidential data in the Eurocash Group, limiting bonds trade issued by Eurocas S.A. (stocks and bonds), is bonding to the management staff and all other employees and cooperators of the Eurocash Group, which have or can have access to confidential data, as understood by the 23 September 2005 financial instrument trade act (Dz. U. from 2005, No. 183. pos. 1538) and implementing regulations issued on its basis ("Financial Instrument Trade Act").

To remain in accordance with these procedures, Eurocash Group employees, which can have access to confidential information, should, before completing a purchase or sale of Eurocash S.A. stocks or bonds, contact the Press Officer.

Moreover, before taking part in any meeting with investors or stock market analysts, Eurocash employees should contact the Press Officer.

4. RESPECTING THE CODE OF ETHICS IN THE EUROCASH GROUP

Each employee receives the Code of Ethics in Eurocash Group when signing an employment contract and as an e-mail reminder. Each employee is obligated to adhere to Eurocash Group Code of Ethics.

5.INFRINGING ON THE CODE OF ETHICS IN THE EUROCASH GROUP

The employee should immediately inform their supervisor or HR department about every case of infringement on or suspected infringement upon the Code of Ethics in the Eurocash Group. Also available is a trust line, to which any abuse or actions infringing on the Code of Ethics can be reported. Each reported case will be investigated and appropriate remedial actions will be taken.

4.1 ENVIRONMENTAL POLICY

Eurocash, as the wholesale distribution leader for FMCG products for the polish market, taking into account the respect for the natural environment, conducts its business, aiming to minimize its influence on the environment.

Awareness of the importance of ecological topics, in relation to the future development of the company, causes the company's function to adhere to current rules and standards for environmental protection and other local conditions, and taking into account environmental aspects. In order to improve the effects of environmental activity, the following targets have been set:

- Adhering to any legal requirements and regulations in the area of environmental protection and influence, which apply to the activity being conducted
- Systematic raising of ecological awareness among the employees and outside the company, with particular focus on separate collection of waste and recycling
- Preventing environmental pollution, including reducing the amount of waste and harmful emissions
- Rational usage of natural resources, including air, water, energy and fuel
- Perfecting technology and logistic processes in such a manner, that they are environment friendly and fulfill the needs and requirements of current and future contractors, as well as other parties
- Preventing emergencies
- Creating proecological activity among suppliers and clients

The abovementioned targets, are tied to Eurocash's economic activity. The Board commits itself to plan environmental protection activities, supplying means to carry out these activities, and to evaluate the effectiveness of the actions undertaken.

The Management and all employees of Eurocash Group are obligated identify themselves with the letter of the accepted Environmental Policy and to realize the targets it sets.

4.2 FOOD SAFETY SYSTEM

Eurocash S.A. functions on the basis of the Food Safety Management System, which conforms to the ISO 220000:2005 standard. In October of 2016, the functioning system was confirmed during another DEKRA certification audit, realized during an audit attempt in 73 locations, and was finished by obtaining a ISO 22000 certificate, in the area of storage, distribution and wholesale of foodstuffs. To supervise and improve the Food Safety Management System, internal audits (296) were carried out in all Eurocash S.A. locations, taking into account zero audits for newly opened wholesalers, as well as introcuding quarterly auditing for Distribution Centers. To deepen the awareness of food safety in Eurocash S.A. units, 350 managers were trained. Since October of 216, Distribution Centers in Piorunowo and Czeladź obtained an ecological company certification, which confirm the adherence to the required rules regarding the distribution of ecological products.

With the aim of delivering to the clients, safe Eurocash Own Brand Dobry Wybór! (Good Choice!) of the highest and regular quality, in 2016 1775 laboratory studies have been conducted. Also effectively developed, was the qualification process for suppliers, including the execution of 80 supplier audits on the basis of the IFS 6 standard, as well as increasing supervision over complaints from franchise stores. While introducing new products, a sensory evaluation was carried out during 462 tasting, 725 product passports, 943 labels and 55 stickers were approved.

In relation to increase in client requirements and expectations, 2 Gastronomy departments have been relocated to more convenient locations – Plewiska and Sosnowiec. In the framework food safety supervision 154 storage and loading audits and 241 transport audits have been conducted during deliveries to clients. 368 persons have been trained. Centers in Błonie, Sosnowiec and Plewiska obtained, beside the ISO 22000 certificate, obtained a higher level IFS logistic certificate in 2016.

To ensure high quality of fresh products the number of auditors has been increased. In 2016 266 audits of fresh product supplier have been conducted, including: meat – 109, fruit and vegetable – 140, convenience – 51, fish – 6.

Quality and Food Safety	2016	2015
Food training safety	718	427
Quality reserches at laboratory	1775	1645
IFS audits of suppliers	80	66
Fresh products audits	266	115

***Table 13** Food safety and quality*

4.3 WASTE MANAGEMENT

In 2016 segregated from the waste stream generated by Eurocash were: 3419,88 Mg of waste paper and 1 217,15 Mg of foil. In the framework of ecological education in Eurocash S.A., Interseroh Package Recovery Organization S.A., delivered packages tied to a given resource being recovered from segregated was to three schools near our Distribution Centers – Lublin, Sosnowiec, Luboń. The "Ecopacks" ("Ekopaki") is a series of education-entertainment boxes related to a certain package. The project is mainly related to the idea of a closed circulation of the resources, and aims to educated the youngest generation, on the methods of utilizing a given material.

Waste selection (Mg)	2016	2015
Paper	3420	3457
Foil	1217	1111

Table 14 *Waste selection*

4.4 TRANSPORT OPTIMIZATION

In our Group, we prepared and implemented a modern logistical system enabling rational usage of means of transport, which allowed the influence the traffic of trucks on the environment. Eurocash Group constantly monitors traffic routes, and sets new ones in a maximally optimal manner. The means of transport carry products to multiple destinations at once, which allows for optimization of routes. Thanks to that, a truck operated by an external company, sent to a destination does make the return trip without a load. A transport service company has the ability to optimally utilize trucks during the return trip, completing orders from other companies. This policy allows for a significant reduction of exhaust being emitted into the environment.

Moreover, we constantly monitor the exhaust emitted during the activity of the Eurocash Group's employees, by setting fuel consumption limits for each personal vehicle, used for business activity. The Fleet Management Department, in case of significant deviations from set standards, takes actions aiming to identify and eliminate the problem, which contributes to increased fuel consumptions, and in relation to that, increased exhaust emission into the environment.

4.5. ENERGY CONSUMPTION AND CO2 EMISSION

Energy consumption in Eurocash Group in 2016 amounted to approx. 347 990 MWh (1 252 764 GJ). It comprised mainly with electrical energy received from the power grid (66%), followed by the burning of liquid and gas fuels in transportation (25%) and the burning of gas, liquid and solid for heating purposes 9%).

As a result of the aforementioned energy utilisation, approx. 99 841 t CO2 was emitted to the atmopshere. Contribution of electric power was 77%, transporta fuel 17% and the burning of heating fuel 6%.

Consumption	2016
Energy	229 423
CO2 emission	99 841

Table 15 *Resource consumption*

4.6.LED LIGHTING REPLACEMENT

In 2016, Eurocash Group realized a project of lighting replacement in Distribution Center and Cash & Carry wholesalers for modern lighting equipped with LED bulbs. The investment in the project, beside a beneficial influence on the natural environment, will also bring economical savings to the Group. The return period for the investment into lighting replacement for a Distribution Center is estimated at between 2,5 to 4 years.

5.1 LARGE FAMILY ASSOCIATION

Eurocash Group and the 3+ Large Family Association (LFA), the biggest organization in Poland bringing together large families, signed in 2016 a long term cooperation agreement, at a local and national level. The agreement is supposed to server to promote family values amongst clients of the Group and consumers shopping in Eurocash Group franchise and partner stores.

A key current strategic direction for Eurocash Group is supporting polish traders in building professional retail companies, attractive for many generations. This strategy is perfectly supplemented by the cooperation with the 3+ Large Family Association, which allows gaining direct access to the consumers.

The cooperation agreement sing with the 3+ LFA also takes into account the following activities: sales dedicated to large families which are a part of the Association, communication support between the LFA and the Eurocash Group, Eurocash Group brand presence at LFA events in all of Poland, and financial aid for statutory aims of the Association. The brands which, during the cooperation period, will carry out actions dedicated to the Association's members will be the internet retailer Frisco.pl and Deilkatesy Centrum.

5.2 COOPERATION WITH UNIVERSITIES

Eurocash Group regularly cooperates with polish universities, especially by acting as a partner for, among others: the Economic University in Poznań, the Main Trade School in Warszawa, the Economic University in Wrocław, the Universtiy in Warszawa, and the Poznań University of Technology. In the framework of the abovementioned cooperation open lectures and workshops led by experience Group employees are being organized.

Stakeholders

The Eurocash Group, adhering to the rule of transparency properly fulfills informational duties to its stakeholder and investors. Presented below, are the results Eurocash Group achieved on the Warsaw Stock Exchange in 2016.

Chart 3 *The dynamic of the Eurocash stock price and the WIG index in 2016*
Source: Own elaboration

Quotations on the Warsaw Stock Exchange

Eurocash S.A. debuted on the Warsaw Stock Exchange in May 2005. The share of the Parent Company are quoted in the main market, in the continuous trading system, and in 2016 were included in the following indexes: WIG, WIG20, WIG30, WIG-Poland and WIGdiv.

The share price at the end of 2016 was 16% lower in comparison to the beginning of the year. 2016 started with a share price of 46,59 zł for each Eurocash share (price as of closing on 04.01.2016), and finished with a stock price of 39,34 zł. The average stock price in 2016 was 47,02 zł.

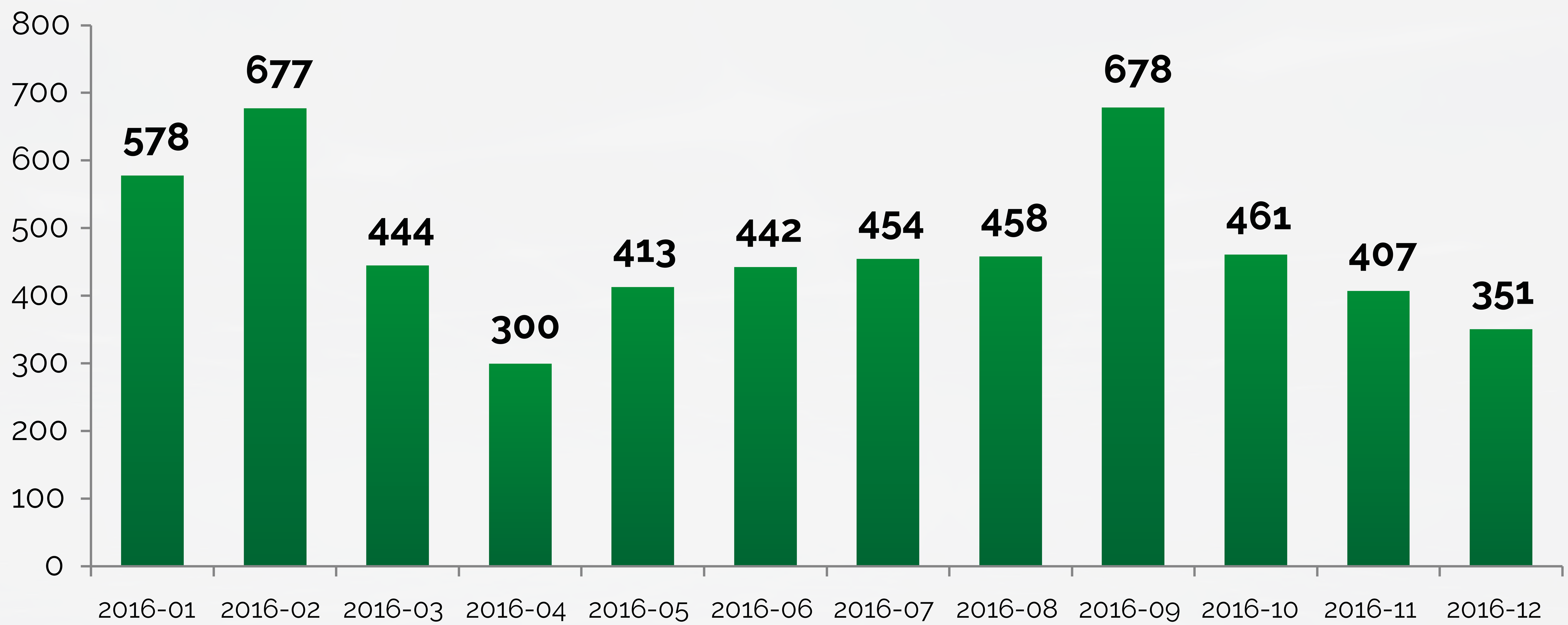
The capitalization of the company for 30 December 2016 was PLN 5 472,05 m in comparison to PLN 6 733,22 as of 31 December 2015. The average volume for EUROCASH S.A. for one day on the Warsaw Stock Exchange in 2016 was 487 720 shares. Presented in the table below, are key data points regarding the stock quotes of the company at the Warsaw Stock Exchange between 2014 and 2016. Total turnover in 2016 had amounted to 125,40 m of shares, which is 90,33% of the company's share capital. Chart 4 shows monthly value of trading the company's stocks in 2016.

		2014	**2015**	**2016**
Amount of shares	PLN	138	138,8	139,1
Closing rate from the last day of equations in a given year	PLN	38	48,5	39,3
Company capitalization for the end of the year	PLN m	5 270	6 733	5 472
Highest closing rate in a given year	PLN	50	55,52	58,25
Lowest closing rate in a given year	PLN	30,8	31,15	33,99
Average trade volume per session	thousand	456	500	488
Dividends paid out during a trading year from the division of income from the previous year	PLN/share	0,79	0,79	1,00

Table 16 *Key data points regarding EUROCASH S.A. stock quotes at the* Warsaw Stock Exchange

Eurocash Group implements a policy of sharing its gains with shareholders. In the last three year, the company paid out dividends to the shareholders. The company predicts dividends being paid out in the coming year, assuming that it won't have a negative impact on the Company's further development.

__Chart 4__ Monthly stock trading value in 2016 in PLN m



Source: Own elaboration

Investor relations

Eurocash Group communicates with the investor environment with obligatory actions, i.e. by communicating publicly available current and periodical reports and by taking part in various investor conferences, road shows and meeting with analysts and Fund managers.

On the day Company periodical reports are published, teleconferences are organized for analysts and fund managers, during which members of the Board discussed the financial results published in the reports, and present key achievement in the individual periods.

Communication with investors is carried out by way of the Eurocash Group's website.

PART C

SELECTED CONSOLIDATED FINANCIAL DATA

FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016

KOMORNIKI, March 15th, 2017

SELECTED CONSOLIDATED 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
Sales	21 219 899 769	20 318 212 635	4 864 160 406	4 856 285 436
Operating profit (loss)	274 282 219	325 082 188	62 872 715	77 698 365
Profit (loss) before income tax	235 918 759	265 637 627	54 078 799	63 490 434
Profit (loss) for the on continued operations	190 016 746	230 211 370	43 556 847	55 023 153
Profit (loss) for the period	190 016 746	230 211 370	43 556 847	55 023 153
Net cash from operating activities	324 023 567	978 000 369	74 274 743	233 753 285
Net cash used in investing activities	(269 940 673)	(153 258 780)	(61 877 518)	(36 630 603)
Net cash used in financing activities	21 591 462	(825 458 006)	4 949 332	(197 293 914)
Net change in cash and cash equivalents	75 674 356	(716 417)	17 346 557	(171 232)
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)	1,29	1,53	0,30	0,37
Diluted EPS (in PLN / EUR)	1,29	1,53	0,30	0,37
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	5 521 622 703	4 975 406 842	1 248 106 398	1 167 524 778
Non-current liabilities	292 804 467	220 677 925	66 185 458	51 784 096
Current liabilities	4 073 714 582	3 593 594 164	920 821 560	843 269 779
Equity	1 155 103 655	1 161 134 753	261 099 379	272 470 903
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)	7,81	7,93	1,76	1,86
Diluted book value per share (in PLN / EUR)	7,78	7,89	1,76	1,85
Declared or paid dividend (in PLN / EUR)	146 394 794	111 482 055	33 091 048	26 160 285
Declared or paid dividend per share (in PLN / EUR)	1,05	0,80	0,24	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.

PART D

AUDITOR'S OPINION

KOMORNIKI, March 15th, 2017

Eurocash S.A. Group

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 16
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 Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Group, whose parent entity is Eurocash S.A., with its registered office in Komorniki, 11 Wiśniowa Street ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Consolidated Financial Statements

Management of the Parent Entity is responsible for the preparation of consolidated 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 Parent Entity is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated 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 Parent Entity and members of the Supervisory Board are required to ensure that the consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated 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 Parent Entity, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

- give a true and fair view of the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- comply, in all material respects, with applicable regulations that apply to the consolidated financial statements of the Group.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Group's Activities

Management of the Parent Entity is responsible for the report on the Group's activities.

Our opinion on the consolidated financial statements does not cover the report on the Group'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 Group'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 consolidated financial statements. Furthermore, based on our knowledge about the Group and its environment obtained in the audit, we have not identified material misstatements in the report on the Group's activities.

KPMG

TRANSLATION

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 Group'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 consolidated 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

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PART E

AUDITOR'S REPORT

KOMORNIKI, March 15th, 2017

Eurocash S.A. Group

Report on the audit

of the consolidated financial statements

Financial Year ended

31 December 2016

KPMG

Eurocash S.A. Group
The report on the audit of the consolidated financial statements
for the financial year ended 31 December 2018

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

1. General

1.1. Identification of the Group

1.1.1. Name of the Group

Eurocash S.A. Group

1.1.2. Registered office of the Parent Company of the Group

Wiśniowa 11,
62 – 052 Komorniki

1.1.3. Registration of the Parent Entity in the register of entrepreneurs of the National Court Register

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

1.1.4. Management of the Parent Entity

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

As at 31 December 2016, the Management Board of the Parent Entity 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 Ciaś 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

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 consolidated financial statements

The consolidated financial statements 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 consolidated financial statements were approved at the General Meeting of the Parent Entity on 19 April 2016.

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

1.4. Audit scope and responsibilities

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

The consolidated 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 consolidated financial statements at the Group entities during the period from 21 November to 2 December 2016 and from 23 January to 10 February 2017.

Management of the Parent Entity is responsible for the preparation of consolidated 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 Parent Entity is also responsible for the report on the Group's activities.

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

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

All required statements, explanations and information were provided to us by Management of the Group 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 entities within the Group 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.

2. Financial analysis of the Group

2.1. Summary analysis of the consolidated financial statements

2.1.1. Consolidated statement of financial position

ASSETS	31.12.2016 PLN '000	% of total	31.12.2015 PLN '000 Restated*	% of total
Non-current assets (long-term)	2,320,888.3	42.0	2,245,883.8	46.1
Goodwill	1,254,108.1	22.7	1,172,298.6	23.6
Intangible assets	358,321.1	6.5	375,835.5	7.8
Property, plant and equipment	557,394.4	10.6	560,291.5	11.4
Investment property	985.5	0.0	1,034.2	0.0
Investments in equity accounted investees	34,851.7	0.6	35,691.1	0.7
Other long-term financial assets	531.6	0.0	531.6	0.0
Long-term receivables	3,251.6	0.1	3,322.9	0.1
Deferred tax assets	81,311.1	1.5	84,404.7	1.7
Other long-term prepayments	8.2	0.0	1,100.3	0.0
Current assets	3,200,766.4	58.0	2,729,423.0	54.0
Inventories	1,085,908.4	19.7	962,937.1	19.5
Trade receivables	1,748,184.0	31.7	1,533,302.8	30.8
Current tax assets	8,056.4	0.2	11,944.5	0.2
Other receivables	139,874.5	2.5	100,801.3	2.1
Other short-term financial assets	5,713.2	0.1	-	-
Short-term prepayments	47,246.8	0.9	23,245.8	0.5
Cash and cash equivalents	161,873.1	3.0	88,194.7	0.6
TOTAL ASSETS	5,521,632.7	100.0	4,975,406.8	100.0

EQUITY AND LIABILITIES	31.12.2016 PLN '000	% of	31.12.2015 PLN '000 Restated*	% of
Equity	1,155,103.7	20.9	1,149,134.8	23.3
Equity attributable to owners of the parent entity	1,086,650.4	19.7	1,100,328.7	22.1
Share capital	139,096.4	2.5	138,825.3	2.8
Reserve Capital	1,257,632.8	24.5	755,123.3	15.2
Hedging reserve	(6,310.7)	0.1	(10,644.2)	0.2
Option for purchase/sell of shares	(69,188.1)	1.3	-	-
Retained earnings	(330,578.5)	6.0	217,018.3	4.4
Accumulated profit/loss from previous years	(509,800.4)	9.2	4,648.7	0.1
Profit for the period	179,221.6	3.2	212,370.0	4.3
Non-controlling interest	68,453.3	1.3	48,806.1	1.2
Liabilities	4,366,519.0	79.1	3,814,273.0	76.7
Non-current liabilities	292,804.4	5.3	220,477.8	4.4
Long-term financial liabilities	154,322.5	2.8	158,880.5	3.2
Other long-term liabilities	72,643.6	1.3	3,098.9	0.1
Deferred tax liabilities	60,318.0	1.1	54,513.0	1.1
Employee benefits	4,966.9	0.1	3,405.1	0.1
Long-term provisions	553.6	0.0	760.4	0.0
Current liabilities	4,073,714.6	73.8	3,593,694.1	72.2
Loans and borrowings	275,065.5	5.0	19,193.8	0.4
Short-term financial liabilities	56,624.1	1.0	82,474.4	1.7
Trade payables	3,459,330.1	62.7	3,225,544.4	64.8
Current tax liabilities	7,555.1	0.1	4,650.4	0.1
Other short-term payables	71,545.7	1.3	88,729.7	1.7
Current employee benefits	84,543.9	1.5	68,904.4	1.4
Provisions	119,076.4	2.2	104,997.0	2.1
TOTAL EQUITY AND LIABILITIES	5,521,632.7	100.0	4,975,406.8	100.0

*Restatement of comparative data was presented in Note 2 of notes to the consolidated financial statements

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2.1.2. Consolidated 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
Revenue	21,219,899.7	100.0	20,318,212.8	100.0
Sales of goods	19,872,981.5	93.7	19,239,581.9	94.7
Sales of services	1,341,438.3	6.3	1,073,271.0	5.3
Sales of materials	5,479.9	0.0	5,359.7	0.0
Cost of sales	(19,036,108.9)	89.7	(18,301,381.4)	90.1
Cost of goods sold	(18,887,353.1)	(89.0)	(18,157,167.1)	(89.4)
Cost of service sold	(143,897.4)	(0.7)	(139,456.8)	(0.7)
Cost of materials sold	(4,858.4)	(0.0)	(4,757.5)	(0.0)
Gross profit on sales	2,183,790.8	10.3	2,016,831.4	9.9
Distribution expenses	(1,532,424.9)	7.2	(1,349,783.4)	6.6
General and administrative expenses	(322,192.7)	1.5	(298,344.1)	1.5
Profit on sales	329,173.2	1.6	368,703.7	1.8
Other operating income	58,869.2	0.3	49,369.8	0.2
Other operating expenses	(114,580.2)	0.5	(92,991.3)	0.5
Operating profit	273,462.2	1.3	325,082.2	1.6
Finance income	24,206.0	0.1	17,009.6	0.1
Finance costs	(57,849.4)	0.3	(72,657.4)	0.4
Share of loss of equity accounted investees	(4,720.0)	(0.0)	(3,796.8)	(0.0)
Profit before tax	235,098.8	1.1	265,637.6	1.3
Income tax expense	(45,082.1)	0.2	(35,426.2)	0.2
Net profit for the period	190,016.7	0.9	230,211.4	1.1

*Restatement of comparative data was presented in Note 2 of notes to the consolidated financial statements

	1.01.2016 - 31.12.2016	1.01.2015 - 31.12.2015
Profit attributable to the owners of the Parent entity	179,221.6	230,211.4
Weighted average number of shares	139,073.8	138,697.9
Weighted diluted average number of shares	139,121.0	138,781.4
- basic	1.29	1.66
- diluted	1.29	1.66

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2.1.3. The consolidated statement of comprehensive income

	1.01.2016 - 31.12.2016 PLN '000	% of profit	1.01.2015 - 31.12.2015 PLN '000	% of profit
Profit for the period	190,016.7	100.0	230,211.4	100.0
Other comprehensive income for the period	4,333.6	2.3	3,538.0	1.5
Total comprehensive income for the period	194,350.3	102.3	233,749.4	101.5
Total comprehensive income attributable to:				
Owners of the Company	183,556.2		215,908.0	
Non-controlling interest	10,796.1		17,841.4	

2.2. Selected financial ratios

	2016	2015	2014
1. Return on sales			
profit for the period x 100% / revenue	0.9%	1.1%	1.1%
2. Return on equity			
profit for the period x 100% / equity - profit for the period	19.7%	24.7%	21.4%
3. Debtors' days			
average trade receivables (gross) x 365 days / revenue	29 days	27 days	33 days
4. Debt ratio			
liabilities x 100% / equity and liabilities	79.1%	76.7%	80.7%
5. Current ratio			
current assets / current liabilities	0.6	0.5	0.4

- 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.

3. Detailed report

3.1. Accounting principles

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

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

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

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the Parent Entity.

3.2. Basis of preparation of the consolidated financial statements

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

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements the Decree of the Ministry of Finance dated 25 September 2009 on principles for the preparation of consolidated financial statements of a capital group by companies other than banks and insurance companies (Official Journal from 2009 No. 169 item 1327 with amendments).

3.3. Method of consolidation

The method of consolidation is described in note 2.4 of the notes to the consolidated financial statements.

3.4. Goodwill arising on consolidation

The method of calculating goodwill arising on consolidation is described in note 2.4 of the notes to the consolidated financial statements.

3.5. Consolidation of equity and calculation of non-controlling interest

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

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Entity's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Entity.

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

Non-controlling interests in subsidiaries included in the consolidated financial statements were determined based on the non-controlling interests' share in the subsidiaries' equity as at the end of the reporting period.

3.6. Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation

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

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

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

PART F

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016

KOMORNIKI, March 15th, 2017

CONTENTS

GENERAL INFORMATION

1. INFORMATION ABOUT THE PARENT ENTITY

NAME

EUROCASH Spółka Akcyjna (Parent Entity)

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Non-specialized wholesale trade
(PKD 4690Z)

REGISTRATION COURT

District Court Poznań - Nowe Miasto and Wilda in Poznań, VIII Commercial Department of the National Court Register, KRS 0000213765

PERIOD FOR WHICH THE GROUP WAS ESTABLISHED

Indefinite period

PERIOD COVERED BY THE FINANCIAL STATEMENTS

The reporting period started 1 January 2016 and ended 31 December 2016 and comparative period is the period from 1 January 2015 to 31 December 2015.
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. BOARD OF THE PARENT ENTITY

2.1. MANAGEMENT BOARD OF THE PARENT ENTITY

As at 31 December 2016 the Parent Entity'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.

2.2. SUPERVISORY BOARD

As at 31 December 2016 the Parent Entity'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 Szwajcowski – 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, Mr. David Boner resigned from his position of Member of the Management Board, effective as at 13.01.2017.
On 22 February 2017, Mr. Przemysław Ciaś was appointed Member of the Management Board of Eurocash S.A.

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01.01 TO 31.12.2016

	Nota	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015 restated*
Sales		**21 219 899 769**	**20 318 212 635**
Sales of goods	26	19 872 981 523	19 239 581 939
Sales of services	26	1 341 438 313	1 073 270 965
Sales of materials	26	5 479 933	5 359 731
Costs of sales		**(19 036 108 935)**	**(18 301 381 475)**
Costs of goods sold		(18 882 353 115)	(18 157 167 136)
Costs of services sold	27	(148 897 359)	(139 456 799)
Costs of materials sold		(4 858 461)	(4 757 540)
Gross profit		**2 183 790 834**	**2 016 831 160**
Selling expenses	27	(1 532 424 939)	(1 349 783 363)
General and administrative expenses	27	(322 192 712)	(298 344 145)
Profit on sales		**329 173 183**	**368 703 653**
Other operating income	28	59 669 236	49 369 823
Other operating expenses	28	(114 560 200)	(92 991 288)
Operating profit		**274 282 219**	**325 082 188**
Financial income	29	24 205 984	17 009 610
Financial costs	29	(57 849 438)	(72 657 419)
Share in profits (losses) of equity accounted investees		(4 720 007)	(3 796 752)
Profit before tax		**235 918 759**	**265 637 627**
Income tax expense	24	(45 902 013)	(35 426 257)
Profit for the period		**190 016 746**	**230 211 370**
Attributable to:			
Owners of the Company		179 221 629	212 369 981
Non-controlling interests		10 795 118	17 841 388

EARNINGS PER SHARE

		PLN / share	PLN / share
Profit attributable to Owners of the Company		179 221 629	212 369 981
Weighted average number of shares	30	139 023 791	138 697 752
Weighted average diluted number of shares	30	139 120 988	138 761 353
Earnings per share from continued operations			
- basic		1,29	1,53
- diluted		1,29	1,53

* Note 2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 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
Profit for the period	**190 016 746**	**230 211 370**
Other comprehensive income for the period	4 333 575	3 538 044
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
Total comprehensive income for the period	**194 350 322**	**233 749 414**
Total Income		
Owners of the Company	183 555 204	215 908 025
Non-controlling interests	10 795 118	17 841 388
Total comprehensive income for the period	**194 350 322**	**233 749 414**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2016

Assets	Note	as at 31.12.2016	as at 31.12.2015 restated*
Non-current assets (long-term)		**2 320 866 335**	**2 245 983 793**
Goodwill	4	1 254 108 025	1 172 298 640
Intangible assets	4	358 321 106	378 635 854
Property, plant and equipment	5	587 394 410	569 291 463
Investment property	7	988 495	1 004 191
Investments in equity accounted investees	8	34 951 736	35 691 120
Other long-term investments	9	531 570	531 570
Long-term receivables	10	3 251 647	3 022 857
Deferred tax assets	25	81 311 142	84 404 706
Other long-term prepayments	11	8 204	1 103 391
Current assets (short-term)		**3 200 756 367**	**2 729 423 049**
Inventories	12	1 088 908 423	967 932 115
Trade receivables	13	1 748 183 884	1 533 302 770
Current tax receivables	13	8 958 439	11 944 512
Other short-term receivables	13	139 874 535	106 801 285
Other short-term financial assets	14	5 713 175	-
Short-term prepayments	15	47 246 807	23 245 620
Cash and cash equivalents	16	161 871 104	86 196 747
Total assets		**5 521 622 703**	**4 975 406 842**

* Note 2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2016

Equity and liabilities		as at 31.12.2016	as at 31.12.2015 restated*
Equity		**1 155 103 655**	**1 161 134 753**
Equity attributable to Owners of the Company		**1 085 650 381**	**1 100 326 626**
Share capital	18	139 096 361	138 829 311
Reserve capital		1 352 632 597	755 123 316
Hedging reserve		(6 310 705)	(10 644 280)
Option for purchase/sell of shares		(69 189 100)	-
Retained earnings		(330 578 771)	217 018 280
Accumulated profit / loss from previous years		(509 800 401)	4 648 299
Profit for the period		179 221 629	212 369 981
Non-controlling interests		69 453 273	60 808 127
Liabilities		**4 366 519 048**	**3 814 272 089**
Non-current liabilities		**292 804 467**	**220 677 925**
Long-term financial liabilities	23	154 322 501	158 980 543
Other long-term liabilities	21	72 643 362	3 098 869
Deferred tax liabilities	25	60 338 030	54 913 023
Employee benefits	20	4 966 996	3 495 089
Provisions	20	533 577	190 400
Current liabilities		**4 073 714 582**	**3 593 594 164**
Loans and borrowings	22	275 065 340	19 193 856
Short-term financial liabilities	23	56 624 075	82 574 451
Trade payables	21	3 459 300 147	3 225 544 402
Current tax liabilities	21	7 555 050	4 650 392
Other short-term payables	21	71 549 689	86 729 698
Current employee benefits	20	84 543 918	69 904 354
Provisions	20	119 076 364	104 997 011
Total equity and liabilities		**5 521 622 703**	**4 975 406 842**

BOOK VALUE PER SHARE

		as at 31.12.2016	as at 31.12.2015
Equity attributable to Owners of the Company		**1 085 650 381**	**1 100 326 626**
Number of shares	31	139 096 361	138 829 311
Diluted number of shares	31	139 530 636	139 530 636
Book value per share		**7,81**	**7,93**
Diluted book value per share		**7,78**	**7,89**

* Note 2

CONSOLIDATED STATEMENT OF CASH FLOWS 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
Cash flow from operating activities		
Profit before tax	**235 918 759**	**265 637 627**
Adjustments for:	**219 036 091**	**215 959 237**
Depreciation and amortization	166 212 492	150 551 652
Share in losses of equity accounted investees	4 720 007	3 796 752
Valuation of motivational programm	-	1 013 543
Gain (loss) on sale of property, plant and equipment	3 975 498	3 588 849
Dividends received	(764 247)	-
Interest expenses	51 361 824	59 324 101
Interest received	(6 469 483)	(2 315 660)
Operating cash before changes in working capital	**454 954 850**	**481 596 864**
Changes in inventory	(71 557 836)	317 688 580
Changes in receivables	(211 466 827)	29 157 446
Changes in payables	183 627 921	175 216 661
Changes in provisions and employee benefits	13 873 632	17 394 173
Other adjustments	341 910	(522 343)
Operating cash	**369 773 650**	**1 020 531 382**
Interest received	1 517 960	1 014 481
Interest paid	(13 753 752)	(19 577 318)
Income tax paid	(33 514 290)	(23 968 176)
Net cash from operating activities	**324 023 567**	**978 000 369**
Cash flow from investing activities		
Aquisition of intangible assets	(41 408 274)	(28 170 197)
Proceeds from sale of intangible assets	98 310	426 455
Aquisition of property, plant and equipment tangible fixed assets	(136 103 161)	(139 352 300)
Proceeds from sale of property, plant and equipment	13 777 177	22 734 920
Dividends received	764 247	-
Aquisition of subsidiaries, net of cash aquired	(76 993 697)	-
Expenditures on the acquisition of subsidiares	(3 845 498)	(9 200 000)
Advances for acquisition of subsidiaries	(21 000 000)	-
Loans granted	(5 700 000)	-
Interest received	470 223	302 342
Net cash used in investing activities	**(269 940 673)**	**(153 258 780)**
Cash flow from financing activities		
Proceeds from issue of share capital	10 147 900	5 662 215
Income/expenses for other financial liabilities	(47 810 776)	45 148 691
Issue of financial debt securities	21 000 000	(42 000 000)
Proceeds from loans and borrowings	226 514 116	-
Repayment of borrowings	-	(683 264 508)
Income/expenses for liabilities from financial leasing	(7 229 156)	10 681
Other interests	(25 910 780)	(22 583 491)
Interests on loans and borrowings	(8 725 048)	(17 310 069)
Dividends paid	(146 394 794)	(111 121 524)
Net cash used in financing activities	**21 591 462**	**(825 458 006)**
Net change in cash and cash equivalents	**75 674 356**	**(716 417)**
Cash and cash equivalents at the beginning of the period	86 196 747	86 913 164
Cash and cash equivalents at the end of the period	**161 871 103**	**86 196 747**

CONSOLIDATED STATEMENT ON CHANGES IN EQUITY FOR THE PERIOD FROM 01.01 TO 31.12.2016

	Share capital	Reserve capital	Option for purchase/sell of shares	Hedge reserve	Retained earnings	Equity attributable to Owners of the Company	Non-controlling interests	**Total**
Changes in equity in the period from 01.01 to 31.12.2015								
Balance as at 01.01.2015 after changes	**138 680 636**	**457 945 167**	**-**	**(14 182 324)**	**413 788 613**	**996 232 092**	**42 966 738**	**1 039 198 831**
Total comprehensive income for the reporting period								
Owners of the Company	**-**	**-**	**-**	**-**	212 369 981	**212 369 981**	**-**	**212 369 981**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	17 841 388	**17 841 388**
Net profit presented directly in equity	-	-	-	3 538 044	-	**3 538 044**	-	**3 538 044**
Total comprehensive income for the period from 01.01. to 31.12.2015	**-**	**-**	**-**	**3 538 044**	**212 369 981**	**215 908 025**	**17 841 388**	**233 749 414**
Dividends	-	-	-	-	(111 482 055)	**(111 482 055)**	-	**(111 482 055)**
Transfer to reserve capital	-	290 670 385	-	-	(297 658 259)	**(6 987 875)**		**(6 987 875)**
Equity-settled share-based payment transactions		1 013 543	-	-	-	**1 013 543**	-	**1 013 543**
Share options excercised	148 675	5 513 540	-	-	-	**5 662 215**	-	**5 662 215**
Other	-	(19 319)	-	-	-	**(19 319)**	-	**(19 319)**
Total contributions by and distributions to Owners of the Company	**148 675**	**297 178 148**	**-**	**-**	**(409 140 315)**	**(111 813 491)**	**-**	**(111 813 491)**
Total transaction with Owners of the Company, recognized directly in equity	**148 675**	**297 178 148**	**-**	**-**	**(409 140 315)**	**(111 813 491)**	**-**	**(111 813 491)**
Balance as at 31.12.2015	**138 829 311**	**755 123 316**	**-**	**(10 644 280)**	**217 018 280**	**1 100 326 626**	**60 808 127**	**1 161 134 753**
Changes in equity in the period from 01.01 to 31.12.2016								
Balance as at 01.01.2016 (restated *)	**138 829 311**	**755 123 316**	**-**	**(10 644 280)**	**217 018 280**	**1 100 326 626**	**60 808 127**	**1 161 134 753**
Total comprehensive income for the reporting period								
Owners of the Company	-	-	-	-	179 221 629	**179 221 629**	-	**179 221 629**
Non-controlling interests	-	-	-	-	-	**-**	10 795 118	**10 795 118**
Other comprehensive income	-	-	-	4 333 575	-	**4 333 575**	-	**4 333 575**
Total comprehensive income for the period from 01.01. to 31.12.2016	**-**	**-**	**-**	**4 333 575**	**179 221 629**	**183 555 204**	**10 795 118**	**194 350 322**
Dividends paid	-	-	-	-	(139 084 436)	**(139 084 436)**	(7 310 358)	**(146 394 794)**
Transfer to reserve capital	-	587 721 393		-	(587 721 393)	**-**	-	**-**
Share options excercised	267 050	9 880 850	-	-	-	**10 147 900**	-	**10 147 900**
Settlement of acquisition and sale of shares	-	-	(69 189 100)	-	-	**(69 189 100)**	5 160 387	**(64 028 713)**
Other	-	(92 961)	-	-	(12 851)	**(105 813)**	-	**(105 813)**
Total transaction with Owners of the Company, recognized directly in equity	**267 050**	**597 509 282**	**(69 189 100)**	**-**	**(726 818 680)**	**(198 231 449)**	**(2 149 971)**	**(200 381 420)**
Balance as at 31.12.2016	**139 096 361**	**1 352 632 597**	**(69 189 100)**	**(6 310 705)**	**(330 578 771)**	**1 085 650 381**	**69 453 273**	**1 155 103 655**

* Note 2

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01 TO 31.12.2016

1. GENERAL INFORMATION

1.1. ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

According to the resolution of the Management Board dated 15 March 2017 the consolidated financial statements of Eurocash S.A. Group for the period from 1 January 2016 to 31 December 2016 were authorized for issue by the management Board.
According to the information included in the report no. 2/2017 dated 10 January 2017 sent to the Polish Financial Supervision Authority, Eurocash S.A. issues its consolidated financial statements on 17 March 2017.
Eurocash S.A. is a listed company and its shares are publicly traded.

1.2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU IFRSs").

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

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 Group 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 1January 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,
- 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 Group's future financial statements:

The Group 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 Group 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 Group 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 Group will also influence a presentation of balance sheet's financial positions.

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

The Group 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 Group 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;
- 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 Group 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 Group does not expect those Standards to have a material impact on its financial statements once applied.

1.4. FUNCTIONAL AND PRESENTATION CURRENCY, ROUNDINGS

These consolidated financial statements are presented in PLN, which is the Parent Entity's functional and presentation currency. All financial information presented in PLN has been rounded to the nearest PLN (unless it is otherwise indicated).

1.5. USE OF ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with UE IFRSs requires management 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 are made based on historical experience and other factors accepted as reasonable in given circumstances, and the results of estimates and judgements are a basis for the determination of the carrying value of assets and liabilities not resulting directly from other sources. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised 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 Note 6 and 20.

1.6. COMPARABILITY OF FINANCIAL STATEMENTS

Accounting principles as well as calculation methods applied in the preparation of the financial statements remained unchanged in comparison to the ones applied in the last annual consolidated financial statements for the year ended at 31 December 2015, except for the changes described in Note 2.

1.7. INFORMATION ABOUT THE PARENT ENTITY, THE CAPITAL GROUP, THE ASSOCIATES AND JOINT VENTURE

Eurocash S.A. is a Parent Entity, registered in the District Court Poznań - Nowe Miasto and Wilda in Poznań, VIII Commercial Department of the National Court Register; registration number: 00000213765; located in Komorniki, ul. Wiśniowa 11.

The main business activity of the Parent Entity is non-specialized wholesale trade (PKD 4690Z).

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

Entities comprising the Eurocash capital group and associates as at 31.12.2016

No	1	2	3	4	5	6	7	8
Unit	Eurocash S.A.	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.	Eurocash VC2 Sp. z o.o.	Premium Distributors Sp. z o.o.	Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.
address	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul. Bokserska 66a 02-690 Warszawa	ul .Wiśniowa 11 62-052 Komorniki
core business activity	PKD 4690Z	PKD 4635Z	PKD 8299Z	PKD 4634A	PKD 4634A	PKD 7740Z	PKD 4634A	PKD 4690Z
registration court	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000213765	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000519553	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000259846	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000329002	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000329037	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000529945	District Court Warszawa, XIII Commercial Division of the National Court Register KRS 0000287947	District Court Zielona Góra, VIII Commercial Division of the National Court Register KRS 0000203619
nature of relationship	Parent company	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full
date of aquisition	n/a	31.03.2006	10.07.2006	06.04.2009	06.04.2009	03.11.2014	02.08.2010	02.08.2010
ownership interest	n/a	75,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
voting rights (in %)	n/a	75,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

Entities comprising the Eurocash capital group and associates as at 31.12.2016 (continued)

No	9	10	11	12	13	14	15	16
Unit	DEF Sp. z o.o.	Detal Podlasie Sp. z o.o.	Lewiatan Podlasie Sp. z o.o.	Euro Sklep S.A.	Ambra Sp. z o.o.	Lewiatan Śląsk Sp. z o.o.	Lewiatan Orbita Sp. z o.o.	Lewiatan Kujawy Sp. z o.o.
address	ul. Handlowa 6 15-399 Białystok	ul. Sokólska 9 15-865 Białystok	Porosły 70A 16-070 Choroszcz	ul. Bystrzańska 94a 43-309 Bielsko-Biała	ul. Hutnicza 7 43-502 Czechowice-Dziedzice	ul. Lenartowicza 39 41-219 Sosnowiec	ul. Lubelska 33/15 10-410 Olsztyn	ul. Polna 4-8 87-800 Włocławek
core business activity	PKD 4639Z	PKD 4711Z	PKD 47	PKD 4711Z	PKD 4645Z	PKD 7022Z	PKD 4690Z	PKD 4711Z
registration court	District Court Białystok, XII Commercial Division of the National Court Register KRS 0000048125	District Court Białystok, XII Commercial Division of the National Court Register KRS 0000033766	District Court Białystok, XII Commercial Division of the National Court Register KRS 0000508176	District Court Bielsko Biała, VIII Commercial Division of the National Court Register KRS 0000012291	District Court Katowice-Wschód, VIII Commercial Division of the National Court Register KRS 0000254307	District Court Katowice-Wschód, VIII Commercial Division of the National Court Register KRS 0000175768	District Court Olsztyn, VIII Commercial Division of the National Court Register KRS 0000039244	District Court Toruń, VII Commercial Division of the National Court Register KRS 0000109502
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full
date of aquisition	21.12.2011	21.12.2011	18.03.2014	21.12.2011	21.12.2011	21.12.2011	21.12.2011	21.12.2011
ownership interest	100%	100%	100%	100%	100%	100%	100%	100%
voting rights (in %)	100%	100%	100%	100%	100%	100%	100%	100%

Entities comprising the Eurocash capital group and associates as at 31.12.2016 (continued)

No	17	18	19	20	21	22	23	24
Unit	Lewiatan Wielkopolska Sp. z o.o.	Lewiatan Opole Sp. z o.o.	Lewiatan Zachód Sp. z o.o.	Lewiatan Podkarpacie Sp. z o.o.	Lewiatan Holding S.A.	Lewiatan Północ Sp. z o.o.	Eurocash Detal Sp. z o.o.	PayUp Polska S.A.
address	Os. Winiary 54 60-665 Poznań	ul. Światowida 2 45-325 Opole	ul. Przemysłowa 5 73-110 Stargard Szczeciński	ul. Krakowska 47 39-200 Dębica	ul. Kilińskiego 10 87-800 Włocławek	ul. I Dywizji Wojska Polskiego nr 98 84-230 Rumia	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki
core business activity	PKD 7740Z	PKD 7740Z	PKD 6419Z	PKD 8299Z	PKD 7740Z	PKD 4639Z	PKD 4690Z	PKD 6120Z
registration court	District Court Poznań - Nowe Miasto i Wilda, VIII Commercial Division of the National Court Register KRS 0000133384	District Court Opole, VIII Commercial Division of the National Court Register KRS 0000043199	District Court Szczecin Centrum, XIII Commercial Division of the National Court Register KRS 0000017136	District Court Rzeszów, XII Commercial Division of the National Court Register KRS 0000186622	District Court Toruń, VII Commercial Division of the National Court Register KRS 0000089450	District Court Gdańsk-North in Gdańsk, VII Commercial Division of the National Court Register KRS 0000322297	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register, KRS 0000499437	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000299000
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full
date of aquisition	21.12.2011	21.12.2011	21.12.2011	28.06.2013	21.12.2011	21.12.2011	18.11.2013	06.05.2014
ownership interest	100%	100%	100%	100%	67%	100%	100%	100%
voting rights (in %)	100%	100%	100%	100%	71%	100%	100%	100%

Entities comprising the Eurocash capital group and associates as at 31.12.2016 (continued)

No	25	26	27	28	29	30	31	32
Unit	Eurocash Convenience Sp. z o.o.	Kontigo Sp. z o.o.	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.
address	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul.Al.Jerozolimskie 174 02-486 Warszawa	ul. Bokserska 66A 02-690 Warszawa	ul. Wiśniowa 11 62-052 Komorniki	ul. Wiśniowa 11 62-052 Komorniki	ul. Grunwaldzka 59 38-350 Bobowa	ul. Wiśniowa 11 62-052 Komorniki
core business activity	PKD 7010Z	PKD 7010Z	PKD 4617Z	PKD 7740Z	PKD 5621Z	PKD 4711Z	PKD 4711Z	PKD 4635Z
registration court	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000509266	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000510241	District Court Warszawa, XII Commercial Division of the National Court Register KRS 0000525507	District Court Warszawa, XIII Commercial Division of the National Court Register KRS 0000560795	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000586936	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000577163	District Court Kraków-Śródmieście in Kraków, XII Commercial Division of the National Court Register KRS 0000576321	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000625487
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full
date of aquisition	05.03.2014	17.04.2014	01.12.2014	11.05.2015	22.07.2015	22.07.2015	29.01.2016	20.06.2016
ownership interest	100%	100%	51%	100%	100%	100%	50%	100%
voting rights (in %)	100%	100%	51%	100%	100%	100%	50%	100%

Entities comprising the Eurocash capital group and associates as at 31.12.2016 (continued)

No	33	34	35	36	37	38	39	40
Unit	Eurocash Nieruchomości Sp. z o.o.	Eurocash Food Sp. z o.o.	Sushi to go Sp. z o.o.	Sushi to go Sp. z o.o. Sp. k.	Detal finanse Sp. z o.o.	Polska Dystrybucja Alkoholi Sp. z o.o.	FHC-2 Sp. z o.o.	Madas Sp. z o.o.
address	ul. Wiśniowa 11 62-052 Komorniki	ul. Wiśniowa 11 62-052 Komorniki	ul. Piękna 24/26A 00-549 Warszawa	ul. Ks.Juliana Chrościckiego 93/105 02-414 Warszawa	ul. Wiśniowa 11 62-052 Komorniki	ul. Sempołowska 4 95-200 Pabianice	Ul Tysiąclecia 1 38- 400 Krosno	Ul Tysiąclecia 1 38- 400 Krosno
core business activity	PKD 7022Z	PKD 7022Z	PKD 1013Z	PKD 8299Z	PKD 6920Z	PKD 4634A	PKD 4711Z	PKD 4711Z
registration court	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000567562	District Court Warszawa, XII Commercial Division of the National Court Register KRS 0000605658	District Court Warszawa, XII Commercial Division of the National Court Register KRS 0000492021	District Court Warszawa, XIII Commercial Division of the National Court Register KRS 0000584888	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000618542	District Court Łódź - Śródmieście in Łódź, XX Commercial Division of the National Court Register KRS 0000124474	District Court Rzeszów, XII Commercial Division of National Court Register KRS 0000241137	District Court Rzeszów, XII Commercial Division of National Court Register KRS 0000243880
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full
date of aquisition	04.05.2015	04.05.2015	22.06.2016	22.06.2016	15.03.2016	30.12.2016	16.12.2016	16.12.2016
ownership interest	100,00%	100%	51%	51%	100%	100%	50%	50%
voting rights (in %)	100,00%	100%	51%	51%	100%	100%	50%	50%

Entities comprising the Eurocash capital group and associates as at 31.12.2016 (continued)

No	41	42
Unit	Zagłoba Sp. z o.o.	Jantoń Detal Sp. z o.o.
address	ul. Stara Huta 7 32-500 Chrzanów	ul. Sempołowskiej 4 95-200 Pabianice
core business activity	PKD 4634A	PKD 4725Z
registration court	District Court Kraków - Śródmieście in Kraków, XII Commercial Division of the National Court Register KRS 0000105078	District Court Łódź - Śródmieście in Łódź, XX Division of the National Court Register KRS 0000293684
nature of relationship	Subsidiary	Subsidiary
applied consolidation method	Full	Full
date of aquisition	30.12.2016	30.12.2016
ownership interest	66%	100%
voting rights (in %)	66%	100%

On 29 January 2016 Eurocash S.A. acquired 50% shares in the share capital of Firma Rogala Sp. z o.o. – see details in Note 1.
On 15 March 2016 Eurocash Franczyza Sp. z o.o. and Eurocash Convenience Sp. z o.o. formed a new company Detal Finanse Sp. z .o.o.
On 15 March 2016 Eurocash VC4 Sp. z o.o. changed its name into ABC na kołach Sp. z o.o. and Eurocash VC5 Sp. z o.o. changed its name into Duży Ben Sp. z o.o.
On 4 May 2016 Eurocash Franczyza Sp. z o.o. formed new companies Eurocash Nieruchomości Sp. z o.o. and Eurocash Food Sp. z o.o.
On 20 June 2016 Eurocash Franczyza Sp. z o.o. and Eurocash Convenience Sp. z o.o. formed a new company 4Vapers Sp. z o.o.
On 22 June 2016 Eurocash Food Sp. z o.o. acquired 51% of shares in Sushi to go Sp. z o.o. and joined the partnership Sushi to go Sp. z o.o. Sp. k. acquiring 51% of its shares.

On 16 December 2016 Eurocash S.A. acquired 50% of shares in FHC-2 Sp. z o.o. and 50% of shares in Madas Sp. z o.o.
On 30 December 2016 Eurocash S.A. acquired 100% of shares in Polska Dystrybucja Alkoholi Sp. z o.o.
Detal Finanse Sp. z o.o., Eurocash Nieruchomości Sp. z o.o., Eurocash Food Sp. z o.o. and Sushi to go Sp. z o.o. are Group companies; however, due to the insignificance of their financial data, they were not consolidated.

Entities comprising the Eurocash capital group and associates as at 31.12.2016

No Unit	1 FRISCO S.A.	2 Partnerski Serwis Detaliczny S.A.
address	ul. Omulewska 27 04-128 Warszawa	ul. Grażyny 15 02-548 Warszawa
core business activity	PKD 4791Z	PKD 6499Z
registration court	District Court Warszawa, XIII Commercial Division of the National Court Register KRS 0000401344	District Court Warszawa, XIII Commercial Division of the National Court Register KRS 0000280288
nature of relationship	Associate	Joint venture
applied consolidation method	Equity method	Equity method
ownership interest	44,14%	50%
voting rights (in %)	44,14%	50%

1.8. GOING CONCERN ASSUMPTION

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for the following items:

- derivative financial instruments measured at fair value,
- financial instruments at fair value through profit or loss measured at fair value,
- available-for-sale financial assets measured at fair value.

The most significant accounting policies applied by Eurocash S.A. Group are presented in points 2.2-2.33.

2.2. REPORTING PERIOD

The Group's reporting period is a calendar year.

2.3. FORMAT AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

In particular, the consolidated financial statements are comprised of:

- General information
- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated statement of financial position
- Consolidated statement of cash flows
- Consolidated statement of changes in equity
- Supplementary information to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

2.4. BASIS OF CONSOLIDATION

Subsidiaries
Due to IFRS 10, subsidiaries are entities controlled by the Group.
The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Investments in associates
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.
Investments in associates are accounted for using the equity method and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees (after adjustments to align the accounting

policies with those of the Group) from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Jointly controlled companies

Jointly controlled companies are presented according to IFRS 11 and recognized as joint operations or joint ventures, according to the actual rights and obligations of joint controllers.

A joint operation is a joint contractual arrangement in which the parties exercising joint control over the arrangement have rights to assets and obligations concerning liabilities related to the arrangement. These parties are referred to as joint operators.

A joint venture is a joint contractual arrangement in which the parties exercising joint control over the arrangement have rights to net assets arising out of the arrangement. These parties are referred to as joint venturers. A joint venturer presents their share in a joint venture as an investment, and such investment is accounted for according to the equity method, as per IAS 28.

Costs of business acquisition

The costs of business acquisition are valued as the sum of the fair values at the date of exchange of given assets, incurred or assumed liabilities and equity instruments issued by the acquirer with regard to the business acquisition. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisition date

The day on which the Group obtains actual control of the acquire is the acquisition date. When such acquisition is executed in a way of a single exchange transaction, the date of exchange is the same date as the acquisition date.

In a business combination achieved in stages:

- the cost of the business acquisition is the total cost of all transactions, and
- the exchange date is the date of each exchange transaction (i.e. the day on which each particular investment is included in the financial statements of the Parent Entity), whereas the acquisition date is the date on which the Group obtains control over the acquired entity.

Transactions eliminated on consolidation

As of the acquisition date the carrying value of the Group's investments in subsidiaries is eliminated on consolidation with that part of the subsidiaries' equity which corresponds with the Group's held interest equity.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Allocation of the business acquisition costs

At the acquisition date the Parent Entity recognizes costs of the business acquisition, including identifiable assets, liabilities and contingent liabilities of the acquiree, according to their fair value as at this day, with the exception to non-current assets (or the group of assets to be abandoned) classified as "held for sale", which are measured at their fair value less costs to sale.

The Parent Entity recognises separately identifiable assets, liabilities and contingent liabilities at the acquisition date only if they meet the following criteria at that date:

- when an asset is not an intangible asset, an inflow of all future economic benefits related to that asset is probable and its fair value can be reliably measured;
- when a liability is not a contingent liability, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and its fair value can be reliably measured;
- fair value of an intangible asset or a contingent liability can be reliably measured.

Goodwill

As at the acquisition date, the acquirer:

- recognizes goodwill acquired during the business combination as an asset item,

and

- initially measures goodwill at its acquisition cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently to the initial recognition, the acquirer measures the goodwill acquired in the business combination at its acquisition cost less accumulated impairment losses.

If the Group's interest in net fair value of identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost, the Group:

- reassess all of the assets acquired, all of the liabilities assumed and the consideration transferred,

and then:

- recognizes the remaining gain in the profit or loss.

The Group may adjust the provisional amounts recognized at the acquisition date during the 12 months period.

2.5. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the functional currency of Group entities (PLN) at exchange rates at the dates of the transactions.
Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the average exchange rate of the National Polish Bank at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the average exchange rate of the National Polish Bank at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at average exchange rate of the National Polish Bank at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2.6. INTANGIBLE ASSETS

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

- Goodwill,
- Software licences,
- Copyrights,
- Concessions, patents, utility and decorative designs and trademarks,
- Know-how,
- Customer relations,
- Other intangible assets.

Initial measurement of intangible assets
The initial value of intangible assets is the acquisition cost, which includes the purchase price and other expenditure directly attributable to acquiring the intangible assets.

Subsequent expenditure
Subsequent expenditure on components of intangible assets is capitalized only when it increases the 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 in taken into consideration. If it is hard to determine the reasonable economic useful time or there is no certainty of any expected measurable benefits, the Group recognize the intangible assets 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%
▪ relations with customers	10% - 25%
▪ other intangible assets	10% - 20%

The Group considers “Eurocash” and “abc” trademarks as recognizable on the market and intends to use them for a long time. According to these assumptions the Group states that the economic useful life of the above mentioned trademarks is indefinite and they are not amortized. The “Eurocash”, and “abc” and trademarks are subject to impairment testing each year.

Review of amortization rates and possible impairment

Amortization rates adopted for intangible assets are subject to review at least at each annual reporting date causing respective adjustment of future amortization.

The Group assesses at least at each reporting date whether there is any indication that an asset may be impaired. Impairment losses are recognized in other operating expenses in the period they occurred.

The Group tests annually such intangible assets for impairment by comparing the carrying value of the specified item with its recoverable amount, regardless of any impairment indication.

Measurement of intangible assets at the reporting date

At the reporting date the Group measures the intangible assets at the acquisition cost less accumulated amortization and any accumulated impairment losses.

2.7. PROPERTY, PLANT AND EQUIPMENT

Definition

Property, plant and equipment include tangible assets held by the Group for economical use (useful and intended to be used by the Group), the expected useful lives of which exceed one year.

Property, plant and equipment shall include in particular:

- Land
- Buildings and constructions,
- Technical equipment and machinery,
- Vehicles,
- Other tangible fixed assets (furniture etc.),
- Fixed assets under construction.

The initial measurement of tangible fixed assets
The initial value of tangible fixed assets is the acquisition cost comprising purchase price including the amount due to seller (excluding deductible VAT and excise tax) and, in case of import, additional public charges.

The acquisition cost includes expenditures directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to a working condition for their intended use, including transport, loading, discharging, storage and market introduction costs, minus rebates, discounts, and other similar price reductions and refunds. When determination of the acquisition cost of an asset is impossible, in particular when the asset is received free of charge or donated, its value shall be determined on the basis of 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 from the date the construction, assembly, adaptation or improvement commenced until the reporting date or the day of the bringing the asset into use, plus:

- non-deductible VAT and excise duty,
- costs of obligations incurred for financing of the asset together with the exchange rate differences, decreased by the revenues obtained,
- if required – the estimation of the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent expenditure
Subsequent expenditures on replacing parts of an item of property, plant and equipment are capitalized and increase the initially recognized cost of an asset. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the removed parts of assets is derecognized. Expenditures on the 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 over the depreciable amount, which is the cost of an asset less its residual value. Tangible fixed assets, excluding lands and fixed assets under construction, are depreciated monthly for the period of economic useful life, using a straight-line method and following depreciation rates:

▪ buildings and constructions	2,5% - 4,5%
▪ investments in third parties' property, plant and equipment	10%
▪ technical equipment and machinery	10% - 60%
▪ vehicles	14% - 20%
▪ other tangible fixed assets	20%

Depreciation commences in the month in which the asset was brought into use.

Gain or loss on disposal, liquidation or usage cessation of an item of property, plant and equipment are determined as the difference between the proceeds from disposal and the carrying amount of the assets, and are recognized net in profit and loss.

Review of depreciation rates and possible impairment
Depreciation rates are subject to analysis at the end of each financial year causing respective adjustment of future depreciation.
The Group assesses at each reporting date whether there is any indication that an asset may be impaired. Impairment losses are charged into other operating expenses in the period the impairment loss was determined. Impairment occurs when no future economic benefits are expected to flow to the Group from the asset e.g. in case of liquidation or usage cessation of the asset. Impairment losses are charged into other operating expenses not later than at the reporting date, in the period the impairment loss was determined.

Measurement of property, plant and equipment at the reporting date
Tangible fixed assets are measured at the reporting date at cost i.e. either at acquisition price or construction cost less accumulated depreciation and any accumulated impairment losses.

Tangible fixed assets under construction are presented in the financial statements at cost of manufacturing less impairment losses. The cost of manufacturing includes charges and borrowing costs activated in accordance with accounting policy, specified in the point 2.8.

The stocktaking of tangible fixed assets
The stocktaking of tangible fixed assets is performed every four years.

2.8. BORROWING COSTS

Borrowing costs that are directly attributable to acquiring or manufacturing the qualifying assets shall be capitalized on relevant assets until the date of bringing them into use. These costs are diminished by gains resulted from temporary investment of funds obtained for manufacturing the specified asset.
Borrowing costs include interest and other cost incurred by the Group due to borrowing funds.
Any other borrowing costs are recognized in profit or loss in the period they have occurred.

2.9. LEASE CONTRACTS

The finance lease takes place if the lease contract transfers substantially all the risks and rewards of ownership of the asset to the lessee.
Any other kinds of lease contracts are treated as operating leases.
Assets used on the basis of finance lease contracts are qualified in the same way as the Group's assets. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Lease payments should be split into capital and interest components so as to produce a constant periodic rate of interest on the remaining balance of the finance lease liability.
Outstanding lease payments are recognized in the statement of financial position as financial liabilities divided into short- and long-term parts.

Depreciation methods applied for leased assets are consistent with the accounting policies applied for the Group's owned assets, specified in the points 2.6 and 2.7. If there is no reasonable assurance that the lessee will obtain ownership of the asset by the end of the lease term, the asset is depreciated over a shorter of the following periods: duration of the lease contract or economic useful life of the asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.
Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease contract when the adjustment is confirmed.

If the Group uses the assets on the basis of operating lease contract, the asset is not recognized in the financial statements and lease payments are recognized as an expense in profit or loss for the period.

2.10. INVESTMENT PROPERTY

Investment property comprises property held in order to earn rentals or derive economic benefits resulting from capital appreciation.
Investment property is initially measured at its manufacturing or acquisition costs after taking into account transaction costs. At the reporting date investment property is measured at acquisition or manufacturing cost less accumulated depreciation and any accumulated impairment losses in accordance with accounting policies applied for tangible fixed assets.

2.11. LONG-TERM RECEIVABLES

Long-term receivables comprise receivables due within more than 12 months of the reporting date. The part of long-term receivables which will be paid during next financial year is recognized as current receivables.
Long-term receivables are mostly deposits paid related to renting contracts and bank guarantees and prepayments for tangible fixed assets.

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

2.12. LONG-TERM PREPAYMENTS

At each reporting date the analysis is made of long-term prepayments.
The valuation is made by the Company, taking into consideration the rational factors and the knowledge of the individual components of the prepayments.

2.13. NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

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

The Group classifies a non-current asset or disposal group comprising assets and liabilities as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through its continuing use.
This situation takes place if following conditions are fulfilled:

- the asset is available for immediate sale in its present condition and its sale is highly probable,
- there must be commitment to a plan to sell by an appropriate level of management,
- that plan must have been initiated,
- the assets (or disposal group) must be actively marketed at a reasonable price that is reasonable in relation to the asset's fair value,
- there must be an expectation that the sale will be completed within one year of the classification of assets or a disposal group as held for sale, and activities required to fulfil the plan indicate that it is unlikely to provide significant changes to the plan or that the plan will be obsolete.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

2.14. INVENTORIES

Inventories are assets:

- held for sale in the ordinary course of business (goods),
- materials or supplies purchased to be consumed for own use.

Initial measurement

Acquisition price is determined using the weighted average method. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period.

Acquisition cost comprises purchase price and other costs incurred for the purpose of bringing the inventories to their existing location and condition.

Purchase costs comprise actual purchase price, import duties, other non-deductible taxes and other directly attributable costs.

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

Measurement of inventories at the reporting date

Inventories are measured at the lower of cost and net realisable value. Acquisition or construction cost is determined using the the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale.

The Group identifies following circumstances that lead to write-down of the inventories, to the level of net realisable value:

- decline of net realisable value (damage, expired etc.)
- the level of inventories exceeding the demand and selling possibilities,
- low rotation of inventories,
- selling prices of inventories are below their carrying amounts.

If the acquisition cost is higher than the net selling price 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 directly attributable transaction costs, except when the instrument is classified as at fair value through profit or loss.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

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

The fair value of financial instruments quoted in an active market is their quoted closing bid price at the reporting date.

However, if the transaction is not based on market terms, the fair value is determined by using the valuation techniques which include comparison with market value of similar financial instrument being quoted in the active market, based on estimated cash flows or valuation models of options taking into account circumstances specific to the Group.
At the reporting date, the Group determines whether indicators of assets' impairment occurred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends to settle on a net basis and to realize the asset and settle the liability simultaneously.

Financial assets are classified into following categories:
(a) financial assets held-to-maturity,
(b) loans and receivables,
(c) financial assets available-for-sale,
(d) financial assets and liabilities measured at fair value through profit or loss.

The classification of financial instruments depends on the purpose of purchase.

(a) Financial assets held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity date that the Group has the positive intention and ability to hold to maturity, other than:

- those that the Group designates upon initial recognition as at fair value through profit or loss;
- those that the Group designates as available-for-sale;
- those that meet the definition of receivables and loans.

Those assets that are expected to be sold within 12 months of the reporting date are recognized as current assets.
Investments held-to-maturity are measured at amortised cost using the effective interest rate less impairment losses, if any.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, arising as a result of cash expenditures, supplying goods or rendering services, which are not intended to be recognized as assets measured at fair value through profit or loss.
The assets are recognized as current assets excluding those that maturity date exceeds 12 months of the reporting date.
Financial assets classified as loans and receivables are subsequently measured at amortised cost using the effective interest method less impairment losses if any.

Loans and receivables comprise 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 (a), (b) and (d) categories. They are recognized as current assets if there is an intention to dispose them within 12 months of the reporting date. Available-for-sale assets are measured at fair value excluding instruments not possessing market price quoting from an active market and fair value of which cannot be measured reliably.

Available-for-sale financial assets' fair value changes, other than resulting from impairment, are recognized in other operating income and presented in equity as a separate line item. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(d) Financial assets and liabilities designated as at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Upon 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 of current financial period.

Financial liabilities
Subsequent to initial recognition financial liabilities are measured at amortised cost using the effective interest method, excluding:
(a) financial liabilities designated as at fair value through profit or loss,
(b) financial liabilities recognized as a result of reclassification of financial assets that are not qualified to be derecognized,

(c) financial guarantees contracts,
(d) obligations to grant low-interest or interest-free loans.

2.16. DERIVATIVES

The Group uses derivatives to hedge its foreign currency and interest rate risk exposures. 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,
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative,
- the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.

At the moment of initial recognition of the hedging position, the Group 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 hedging instrument effectiveness.
The hedge is assessed by the Group at the inception and on an ongoing basis as highly effective if following conditions are met:

- the hedge is expected to be highly effective in offsetting the changes in the fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated
- the actual results of hedge are within a range of 80-125% (retrospective effectiveness)
- Hedging of future transaction cash flows is applied for highly probable transactions exposed to cash flow changes risk that would be recognized as a profit or loss of 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 Group measures derivatives at fair value, gains and losses resulting from the change of fair value are recognized in the way described below.

Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.
If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects the income statement. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the

forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Other non-trading derivatives
When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

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 more than 12 months of the reporting date.

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 at the reporting date
Trade receivables and other receivables are measured at fair value at the initial recognition date and are subsequently measured at amortised cost using effective interest method less bad debts allowance.

Irrecoverable receivables are written-off into profit or loss at the moment of ascertainment of their irrecoverability.

Penalty interests related to receivables not paid by Group's customers are recognized at the moment of obtaining cash by the Group.

Measurement of receivables denominated in foreign currency at the reporting date
Foreign currency receivables are translated at the closing rate at the date of the Group's financial statements. The amount of exchange differences is recognized in profit or loss as other finance income or other finance costs.

Bad debts allowance
The value of receivables shall be adjusted by a bad-debts allowance for:

- receivables from debtors put into liquidation or declared bankruptcy - up to the amount of the debts not covered by a guarantee or other payment security declared to a liquidator or judge commissioner in bankruptcy proceedings,
- receivables from debtors with dismissed bankruptcy declaration case if the debtor's property is not sufficient to cover the costs of bankruptcy proceedings - in the full amount,
- debts questioned as to their amounts owed or being in arrears with the repayment thereof and repayment of which, according to the evaluation of the debtor's financial situation, in the contractual amount is not probable - up to the amount of the debt not covered by the guarantee or other payment security,
- debts overdue or not overdue but of a considerable degree of uncollectability – decreased by a reliably measured amount of an allowance,
- court proceeded debts – in the full amount of debts.

The amount of allowance derives not only from the events taking place before the reporting date but also events subsequent to the date of the financial statements' authorization, if those events relate to the debts which existed before the reporting date.
The bad-debts allowance is recognized in other operating expenses or finance costs, depending on the relevant receivable.

2.18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances, call deposits and restricted cash. Bank overdrafts repayable on demand form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.19. SHORT-TERM PREPAYMENTS

Short-term prepayments are analyzed at each reporting date. The assessment is made by the Group, taking into consideration reasonable circumstances and knowledge about each position of prepayments.

Short-term prepayments include mainly:

- rent prepayments,
- electric energy and central heating prepayments,
- subscription prepayments,
- 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 Group at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

- default or delinquency by a debtor,
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise,
- indications that a debtor or issuer will enter bankruptcy,
- the disappearance of an active market for a security,
- for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment.

All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.
In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than 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 reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in the income statement. Changes in impairment provisions attributable to time value are reflected as a component of interest income.
If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in the income statement. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

Non-financial assets
The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.
The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value 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 that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the income statement. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the 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 loss 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.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

2.21. EQUITY

Ordinary shares

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

Repurchase of treasury shares

When share capital recognized as equity is repurchased, 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 treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

The amount reserved for repurchase of share capital, based on the Shareholders' Meeting's resolution, is presented in equity as separate capital reserves.

Distribution of financial result

Distribution of the financial results of subsidiaries is reflected in the consolidated financial statements in accordance with Resolutions of the subsidiaries without making any additional consolidation eliminations.

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 surface.

Measurement of the long-term liabilities

At as the reporting date long-term liabilities are measured at amortized cost using the effective interest method.

Measurement of long-term liabilities denominated in foreign currency

Foreign currency liabilities are measured at least at the reporting date using the spot exchange rate.

Foreign currency gains and losses from valuation of long-term liabilities are recognized in finance income 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.

Short-term liabilities include mainly:

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

Measurement of the short-term liabilities

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

Measurement of short-term liabilities denominated in foreign currency

Foreign currency liabilities are measured at least at the reporting date using the spot exchange rate.

Foreign currency gains and losses from valuation of short-term liabilities are recognized in finance income or expenses accordingly.

2.24. LOANS

The Group initially recognizes bank and other loans and debt securities at fair value of cash received decreased by any directly attributable transaction costs.

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

2.25. PROVISIONS

Provisions are recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.
Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.
Using the provisions may be made according to the time flow or benefit size. Time and method of settlement should be adequate to the character of expenses, according to the prudence method.
Provisions lower the expenses for the period, in which it was affirmed that the liabilities would not arise.

2.26. SALES

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

Goods sold
Revenue from the sale of goods is recognized on condition that:
- the significant risk and rewards of ownership have been transferred to the buyer,
- there is no continuing management involvement with the goods and there is no effective control over those goods,
- the amount of revenue can be measured reliably,
- there is probability that the transaction will result in revenue,
- the associated costs and possible return of goods can be estimated reliably,
- recovery of the consideration is probable.

Services
Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The outcome of transaction can be measured reliably on condition that:
- the amount of revenue can be measured reliably,
- there is probability that the transaction will result in revenue,
- the stage of completion of the transaction at the reporting date can be assessed reliably,
- the associated costs and costs of closing the transaction can be estimated reliably.

When the outcome of the transaction cannot be measured reliably, revenue from services rendered is recognized only to the extent of contract costs incurred that are likely to be recoverable.

2.27. FINANCE INCOME AND COSTS

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

Interest income
Interest income is recognized as it accrues in profit or loss on accrual basis, using the effective interest method.

Dividend income
Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expenses on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through the income statement, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the income statement using the effective interest method. Foreign currency gains and losses are reported on a net basis.

2.28. EMPLOYEE BENEFITS

Long-term employee benefits
The Group recognizes expenses regarding pension plans and other employee benefits for the post-employment period by defining benefit pension obligation.
The calculation of Employee benefits reserves is performed using the projected unit credit method. The calculation is performed by a qualified actuary. The liability is recognized on an accrual basis and measured in the discounted present value of benefits, that employees have earned as at the reporting date, adjusted by personnel and demographic movements indexes.

Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.
The Group recognizes liability for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.29. SHARE-BASED PAYMENT TRANSACTIONS

The share-based payment transactions allow employees to cover share of the controlling company. The fair value of share-based payment awards granted to employees is recognized as separate position in profit or loss as an employee expense, with a corresponding increase in equity (reserve capital). The fair value is measured as at the grant date and recognized over the period that the employees unconditionally become entitled to the awards. 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 met.
The fair value of the employee share options rights is measured using Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general

option holders' behaviour), 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 are 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 the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment or tax payable in respect of previous years. Tax income differs from the accounting profit (loss) regarding the elimination of taxable income and expenses related to future years and income and expenses which will never be taxable. Tax liabilities are calculated based on tax rates effective during the reporting period.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liability is recognized for all taxable positive temporary differences and deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax 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 affects neither accounting nor taxable profit or loss, excluding transactions related to mergers and acquisitions.

Deferred tax assets is reviewed at the end of each reporting period, and if the expected future tax profits will not be 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 to temporary differences when they reverse, based on the 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 expensed directly in equity or other comprehensive income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right 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 tax entities, but they intend to settle current 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 Group'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 resale. 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, the comparative statement of comprehensive income is represented as if the operation had been discontinued from the start of the comparative period.

2.32. EARNINGS PER SHARE

The Group 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 of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

2.33. OPERATING SEGMENTS

An operating segment is a component of the Group:

a) which engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses that relate to transactions with any of the Group's other components);
b) which results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance;
c) for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01 TO 31.12.2016

NOTE 1.
ACQUISITION OF SHARES IN A SUBSIDIARY

1. Acquisition of 50% of shares in the company Firma Rogala Sp. z o.o.

On 29 January 2016, pursuant to the preliminary agreement of 18 September 2014, Eurocash S.A. executed an agreement with Hadrick Investments sp. z o.o, Mr. Jerzy Rogala, Ms. Ewelina Wójcik Rogala and with Firma Rogala Sp. z o.o. for acquisition of 50% shares in Firma Rogala. The acquisition of shares will enable the construction of a long-term partnership with one of the main franchisees of the Delikatesy Centrum brand, operating 63 retail shops under that brand, which will ensure further stable development and growth of revenues of Eurocash Group.

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS

1.	Name of acquired company	Firma Rogala Sp. z o.o.
2.	Acquisition date	29.01.2016
3.	Acquisition cost	39 200 000

Settlement of the business acquisition
Based on the analysis performed by the Company, in accordance with IFRS 10, Firma Rogala Sp. o.o. is a subsidiary controlled by Eurocash S.A., taking i.a. its shares, the franchise agreement details and the share purchase agreement binding the parts of agreement.

ACQUISITION COST

	as at 29.01.2016
Cash	**39 200 000**

NET ASSETS ACQUIRED	Settlement of the acquiisition as at 29.01.2016
Assets	
Non-current assets (long-term)	**13 406 217**
Intangible assets	26 298
Tangible fixed assets	13 062 188
Deferred income tax assets	317 731
Current assets (short-term)	**23 302 163**
Inventory	17 616 998
Trade receivables	1 300 736
Other short-term receivables	955 305
Short-term prepayments	25 171
Cash and cash equivalents	3 403 954
Total assets	**36 708 380**
Equity nad liabilities	
Liabilities	**32 938 509**
Current liabilities	**32 938 509**
Other short-term financial liabilities	5 091 674
Trade liabilities	21 186 292
Other short-term liabilities	4 692 717
Current employee benefits	276 002
Other short-term provisions	1 691 823
Total liabilities	**32 938 509**
Net assets	**3 769 871**
Net assets acquired (50%)	1 884 936
Goodwill on acquisition	37 315 064
Acquisition cost	**39 200 000**

The goodwill is connected i.a. with expected synergies due to the merge of activities.

As part of settlement of the acquisition of 50% of shares in Firma Rogala Sp. o.o., these financial statements present the option for Eurocash S.A. to repurchase the remaining 50% of shares, which was offered by Eurocash S.A. to the remaining shareholders of Firma Rogala and which may be exercised after three years from 29 January 2016. This option, in the amount of PLN 39,2 million, was recognized in other long-term liabilities and in the shareholders' equity.

2. Acquisition of 50% of shares in FHC-2 Sp. z o.o. and Madas Sp. z o.o.

General information

On 16th December 2016, pursuant to the preliminary agreement of sale of shares, dated 15th April 2016, Eurocash S.A. concluded an agreement of sale of shares with Marek Stodółka, Bogdan Habrat, Zofia Szubra, Aleksandra Stodółka, Anna Dąbrowska, 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, pursuant to which Eurocash acquired 50% stake in companies FHC-2 Sp. z o.o. and Madas Sp. z o.o. based in Krosno.

The acquisition of shares will enable the building of a long-term partnership with franchisees Delikatesy Centrum leading brand in 47 retail shops, which will provide further stable development and revenues increase.

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS

1.	Name of acquired company	FHC-2 Sp. z o.o. and Madas Sp. z o.o.
2.	Acquisition date	16.12.2016
3.	Acquisition cost	29 989 100

Settlement of the business acquisition
Based on the analysis performed by the Company, in accordance with IFRS 10, FHC-2 Sp. o.o. and Madas Sp. z o.o. are a 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.
Due to the short period between the acquisition of the companies and the preparation of these condensed consolidated interim financial statements, these condensed consolidated interim financial statements present a provisional settlement of the acquisition price of FHC-2 Sp. z o.o. and Madas Sp. z o.o. shares. The Group is in the process of identification and measurement of assets acquired and liabilities assumed.

ACQUISITION COST

	as at 16.12.2016
Cash	**29 989 100**

NET ASSETS ACQUIRED	Settlement of the acquisition as at 16.12.2016
Assets	
Non-current assets (long-term)	**4 278 988**
Tangible fixed assets	3 949 331
Deferred income tax assets	329 657
Current assets (short-term)	**20 355 257**
Inventory	13 279 136
Trade receivables	1 169 877
Other short-term receivables	811 796
Other short-term financial assets	645 176
Short-term prepayments	1 961
Cash and cash equivalents	4 447 312
Total assets	**24 634 246**
Equity nad liabilities	
Liabilities	**23 845 302**
Non-current liabilities	**2 077 884**
Other long-term financial liabilities	147 201
Other long-term liabilities	71 313
Deferred tax liabilities	3 476
Employee benefits	1 445 517
Other long-term provision	410 377
Current liabilities	**21 767 418**
Other short-term financial liabilities	73 569
Trade liabilities	19 867 469
Current income tax liabilities	840 148
Other short-term liabilities	235 569
Current employee benefits	750 662
Total liabilities	**23 845 302**
Net assets	**788 944**
Net assets acquired (50%)	394 472
Goodwill on acquisition	29 594 628
Acquisition cost	**29 989 100**

The goodwill is connected i.a. with expected synergies due to the merge of activities.

As part of settlement of the acquisition of 50% of shares in companies FHC-2 Sp. o.o. and Madas Sp. z o.o., these financial statements present the option for Eurocash S.A. to repurchase the remaining 50% of shares, which was offered by Eurocash S.A. to the remaining shareholders of companies FHC-2 Sp. o.o. and Madas Sp. z o.o. and which may be exercised after three years from 16 December 2016. This option, in the amount of PLN 30,0 million, was recognized in other long-term liabilities and in the equity.

3. Acquisition of 100% of shares in Polska Dystrybucja Alkoholi Sp. z o.o.

General information

On 30 December 2016, Eurocash purchased 100% shares in “Polska Dystrybucja Alkoholi” Sp. z o.o. based in Pabianice, a distributor of alcohol products in central Poland.
Acquisition of PDA will increase the Eurocash Group's share in the segment of alcohol distribution, which should result in an increase of its revenues.

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS

1.	Name of acquired company	PDA Sp. z o.o.
2.	Acquisition date	30.12.2016
3.	Acquisition cost	18 920 000

Settlement of business acquisition

Due to the very short period between the acquisition of the Company and the preparation of these consolidated financial statements, these consolidated financial statements present a provisional settlement of the acquisition price of PDA Sp. z o.o. shares. The Group is in the process of identification and measurement of assets acquired and liabilities assumed.

ACQUISITION COST

	as at 30.12.2016
Cash	**18 920 000**

NET ASSETS ACQUIRED	Settlement of the acquisition as at 30.12.2016
Assets	
Non-current assets (long-term)	**1 277 110**
Intangible assets	35 085
Tangible fixed assets	663 802
Deferred income tax assets	578 222
Current assets (short-term)	**46 602 960**
Inventory	17 929 242
Trade receivables	23 369 559
Current income tax receivables	414 570
Other short-term receivables	1 477 671
Short-term prepayments	467 780
Cash and cash equivalents	2 944 138
Total assets	**47 880 069**
Equity nad liabilities	
Liabilities	**43 859 762**
Non-current liabilities	**264 259**
Employee benefits	264 259
Current liabilities	**43 595 503**
Short-term loans and credits	18 759 066
Other short-term financial liabilities	472 554
Trade liabilities	19 392 309
Current income tax liabilities	660 543
Other short-term liabilities	2 236 044
Current employee benefits	893 635
Other short-term provisions	1 181 352
Total liabilities	**43 859 762**
Net assets	**4 020 306**
Net assets acquired (100%)	4 020 307
Goodwill on acquisition	14 899 693
Acquisition cost	**18 920 000**

NOTE 2.
RESTATEMENT OF COMPARATIVE DATA

Adjustments are related to the write-off of receivables at a subsidiary, which concerns the previous years and has been recognized in these financial statements and changes in presentation concerning the allocation of the cost of services sold and the cost of goods sold and changes in presentation on deferred tax.

	The amount in the approved report as at 31.12.2015	Other corrections	The corrected amount as at 31.12.2015
Assets			
Non-current assets (long-term)	**2 288 140 043**	**(42 156 250)**	**2 245 983 793**
Deferred tax assets	126 560 956	(42 156 250)	84 404 706
Current assets (short-term)	**2 736 410 924**	**(6 987 875)**	**2 729 423 049**
Inventories	968 330 792	(398 677)	967 932 115
Other short-term receivables	113 390 483	(6 589 198)	106 801 285
Total assets	**5 024 550 967**	**(49 144 125)**	**4 975 406 842**
Equity and liabilities			
Equity	**1 168 122 628**	**(6 987 875)**	**1 161 134 753**
Equity attributable to Owners of the Company	**1 107 314 501**	**(6 987 875)**	**1 100 326 626**
Retained earnings	224 006 155	(6 987 875)	217 018 280
Accumulated profit from previous years	11 636 173	(6 987 875)	4 648 299
Liabilities	**3 856 428 339**	**(42 156 250)**	**3 814 272 089**
Non-current liabilities	**262 834 175**	**(42 156 250)**	**220 677 925**
Deferred tax liabilities	97 069 273	(42 156 250)	54 913 023
Total equity and liabilities	**5 024 550 967**	**(49 144 125)**	**4 975 406 842**

	The amount in the approved report for the period from 01.01.2015 to 31.12.2015	Correction for the period from 01.01.2015 to 31.12.2015	The corrected amount for the period from 01.01.2015 to 31.12.2015
Costs of sales	**(18 299 773 802)**	-	**(18 299 773 802)**
Costs of goods sold	(18 140 163 033)	(17 004 103)	(18 157 167 136)
Costs of services sold	(156 460 902)	17 004 103	(139 456 799)

NOTE 3.
OPERATING SEGMENTS

As a result of the analysis of Eurocash Group's business activities, the Group has distinguished the following segments that properly represent the different business characteristics:

- *Unrelated clients* – sales transacted through distribution formats where clients do not have regular agreements with Eurocash Group. The segment incorporates wholesale operations pursued through the following distribution formats and companies: Eurocash Cash & Carry, Eurocash Alkohole, Eurocash Serwis Sp. z o.o., PayUp Polska S.A., and Eurocash Trade 1 Sp. z o.o. and Polska Dystrybucja Alkoholi Sp. z o.o.
- *Integrated clients* – sales transacted through distribution formats where clients have regular agreements with Eurocash Group, e.g. franchise systems, or clients from the HoReCa segment. The segment comprises sales organization and wholesale to stores in Delikatesy Centrum franchise chain, as well as operations of companies that organize such franchise chains, e.g. Lewiatan, Groszek, Euro Sklep. The segment is concerned with activities pursued through the following companies: Eurocash S.A. (Delikatesy Centrum format), Euro Sklep S.A., Lewiatan Śląsk Sp. z o.o., Detal Podlasie Sp. z o.o., Lewiatan Podlasie Sp. z o.o., Lewiatan Holding S.A., Lewiatan Zachód Sp. z o.o., Lewiatan Wielkopolska Sp. z o.o., Lewiatan Kujawy sp. z o.o., Lewiatan Opole Sp. z o.o., Lewiatan Orbita Sp. z o.o., Lewiatan Północ Sp. z o.o., Lewiatan Podkarpacie Sp. z o.o.. This segment also comprises sales transacted by Eurocash Food Service format.
- *Active distribution* – wholesale transacted by Eurocash Distribution format under Eurocash S.A., as well as sales generated by DEF Sp. z o.o. and Ambra Sp. z o.o..
- *Projects* – this segment incorporates new projects and retail formats in the initial phase of development, executed through the following companies: Eurocash Convenience Sp. z o.o., Kontigo Sp. z o.o., Eurocash Detal Sp. z o.o., ABC na kołach Sp. z o.o., Duży Ben Sp. z o.o., Sushi To Go Sp. z o.o. Sp. k, as well as new projects operated by Eurocash S.A.
- *Other* – Eurocash Trade 2 Sp. z o.o., Eurocash VC2 Sp. z o.o., Inmedio Sp. z o.o., Eurocash VC3 Sp. z o.o., retail sale of Inmedio Sp. z o.o., Firma Rogala Sp. z o.o., FHC-2 Sp. z o.o., Madas Sp. z o.o. and 4vapers Sp. o.o. and the Group's overheads not allocated to any specific segment.

The levels of relationships between the specific segments tend to vary within the Group. These relationships include mutual sales of commodities, provision of marketing services, logistics, administrative support, and other services. The accounting policies of each specific reporting segment is the same as the global policy of the whole Group.
Eurocash Group operates only in the territory of Poland, which can be considered a uniform territory in terms of economic conditions and business risks.

In the wholesale FMCG distribution sector, sales in the first quarter of the year is traditionally lower than in the other quarters. Sales are lowest in summer, to then stabilize around Q4.

Key managing persons at Eurocash Group do not undertake periodical reviews of assets and liabilities of specific segments of operations.

REVENUES AND PROFITS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2016 TO 31 DECEMBER 2016

	Indenpendent clients	Active Distribution	Integrated clients	Projects	Other	Exclusions	Total
Sales	**13 805 633 048**	**4 333 238 664**	**3 392 861 540**	**160 532 577**	**976 522 116**	**(1 448 888 176)**	**21 219 899 769**
External sales	12 971 778 433	4 304 218 921	2 807 563 137	160 448 932	975 890 346	-	21 219 899 769
Inter-segmental sales	833 854 614	29 019 743	585 298 403	83 645	631 770	(1 448 888 176)	-
Operating profit	**182 469 702**	**102 018 031**	**92 637 704**	**(28 868 668)**	**(73 974 550)**	**-**	**274 282 219**
Finance income							24 205 984
Finance costs							(57 849 438)
Share in losses of companies consolidated with the equity method							(4 720 007)
Profit before income tax							**235 918 759**
Income tax							(45 902 013)
Net profit							**190 016 746**

REVENUES AND RESULTS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2015 TO 31 DECEMBER 2015

	Indenpendent clients	Active Distribution	Integrated clients	Projects	Other	Exclusions	Total
Sales	**13 133 620 361**	**4 369 811 056**	**3 086 736 247**	**88 789 520**	**555 642 640**	**(916 387 189)**	**20 318 212 635**
External sales	12 594 822 255	4 349 053 362	2 730 372 872	88 374 929	555 589 217	-	20 318 212 635
Inter-segmental sales	538 798 105	20 757 694	356 363 375	414 591	53 423	(916 387 189)	-
Operating profit	**204 013 396**	**80 495 883**	**105 513 888**	**(17 869 785)**	**(47 071 194)**	**-**	**325 082 188**
Finance income							17 009 610
Finance costs							(72 657 419)
Share in losses of companies consolidated with the equity method							(3 796 752)
Profit before income tax							**265 637 627**
Income tax							(35 426 257)
Net profit							**230 211 370**

NOTE 4.
GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are presented in table below.

Table no 1

GOODWILL AND INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2016

	Goodwill	Patents and licences	Trademarks	Customer relations	Other intangible assets	**Total**
Carrying amount as at 01.01.2015	**1 176 625 979**	**32 861 110**	**86 133 430**	**254 739 939**	**37 224 540**	**1 587 584 997**
Other acquisitions	-	15 314 929	4 121 000	-	16 578 481	**36 014 410**
Increases due to the transfer of fixed assets under construction	-	797 066	-	-	(8 720 741)	**(7 923 675)**
Disposals	-	18 376	-	-	(166 133)	**(147 758)**
Liquidations	-	(1 472)	-	-	(1 418 440)	**(1 419 912)**
Sale of shares in subsidiaries	(4 327 339)	-	-	-	-	**(4 327 339)**
Amortisation	-	(23 956 265)	(3 804 367)	(20 399 991)	(11 596 897)	**(59 757 520)**
Other changes	-	35 434	-	-	875 857	**911 290**
Carrying amount as at 31.12.2015	**1 172 298 640**	**25 069 178**	**86 450 063**	**234 339 948**	**32 776 666**	**1 550 934 494**
Carrying amount as at 01.01.2016	**1 172 298 640**	**25 069 178**	**86 450 063**	**234 339 948**	**32 776 666**	**1 550 934 494**
Acquisition through business combination	81 809 385	1 191 392	-	-	181 563	**83 182 340**
Other acquisitions	-	31 298 373	-	-	8 798 941	**40 097 314**
Increases due to the transfer of fixed assets under construction	-	2 299 095	-	-	500 931	**2 800 026**
Disposals	-	(458)	-	-	-	**(458)**
Liquidations	-	-	-	-	(1 620 498)	**(1 620 498)**
Amortisation	-	(28 206 228)	(3 874 347)	(20 399 991)	(10 331 578)	**(62 812 143)**
Other changes	-	(276)	(96 057)	-	(55 611)	**(151 944)**
Carrying amount as at 31.12.2016	**1 254 108 025**	**31 651 076**	**82 479 659**	**213 939 957**	**30 250 414**	**1 612 429 131**

GOODWILL AND INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2015 (continued)

	Goodwill	Patents and licences	Trademarks	Customer relations	Other intangible assets	**Total**
As at 31.12.2015						
Cost	1 172 298 640	122 350 409	105 093 852	315 673 264	106 610 881	1 876 525 126
Accumulated amortisation and impairment losses	-	(97 281 231)	(18 643 790)	(81 333 316)	(73 834 216)	(325 590 633)
Carrying amount	**1 172 298 640**	**25 069 178**	**86 450 063**	**234 339 948**	**32 776 665**	**1 550 934 494**
As at 31.12.2016						
Cost	1 254 108 025	157 138 535	104 997 795	315 673 264	114 416 207	2 000 831 906
Accumulated amortisation and impairment losses	-	(125 487 459)	(22 518 136)	(101 733 307)	(84 165 794)	(388 402 775)
Carrying amount	**1 254 108 025**	**31 651 076**	**82 479 659**	**213 939 957**	**30 250 414**	**1 612 429 131**

Goodwill presented in the consolidated statement of financial position consists of the following items:

a) goodwill on acquisition of an organized part of "Carment, M. Stodółka i Wspólnicy Spółka Jawna" enterprise in the amount of PLN 11.565.477;

b) goodwill on acquisition of "KDWT S.A" in the amount of PLN 22.103.227;

c) goodwill on acquisition of "Eurocash Dystrybucja Sp. z o.o." (former “McLane Polska Sp. z o.o.”) in the amount of PLN 56.868.456;

d) goodwill on acquisition of "Nasze Sklepy Sp. z o.o." in the amount of PLN 2.596.627;

e) goodwill on acquisition of "Przedsiębiorstwo Handlowe Batna Sp. z o.o." in the amount of PLN 29.180.412;

f) goodwill on acquisition of Premium Distributors Group in the amount of PLN 226.352.528;

g) goodwill on acquisition of PolCater Group in the amount of PLN 11.428.359;

h) goodwill on acquisition of Tradis Group in the amount of PLN 684.865.254,

i) goodwill on acquisition of Dziembor i Spółka Sp. z o.o in the amount of PLN 5.253.762,

j) goodwill on acquisition of Przedsiębiorstwo Handlowo- Usługowe Noban sp. z o.o in the amount of PLN 991.988,

k) goodwill on acquisition by Eurocash S.A. of 51% shares in affiliate: PayUp S.A., in the amount of PLN 5.722.015,

l) goodwill on acquisition by Eurocash S.A. of FMCG Service sp. z o.o., in the amount of PLN 60.349.278,

m) goodwill on acquisition by Eurocash S.A. of Inmedio sp. z o.o., in the amount of PLN 55.021.256.

n) goodwill on acquisition by Eurocash S.A. of Firma Rogala Sp. z o.o. in the amount of PLN 37.315.064,31,

o) goodwill on acquisition by Eurocash S.A. of FHC-2 Sp. z o.o. i Madas Sp. z o.o. in the amount of PLN 29.594.628,35 ,

p) goodwill on acquisition by Eurocash S.A. of Polska Dystrybucja Alkoholi Sp. z o.o. in the amount of PLN 14.899.692,81.

Customer relations has been identified through the acquisition of:
a) Premium Distributors Group companies in the amount of PLN 49.000.000 (amortization period 10 years);
b) PolCater Group in the amount of PLN 2.200.000 (amortization period 3 years),
c) Tradis Group in the amount of PLN 250.000.000 (amortization period 20 years),
d) company Service FMCG in the amount of PLN 14.473.264 (amortization period 5 years).

The Group has the following intangible assets with indefinite useful lives:
a) "Eurocash" trademark with a carrying amount of PLN 27.387.672,
b) "abc" trademark with a carrying amount of PLN 17.216.759,

Amortization of intangible assets is recognized as selling expenses.

The Group did not recognize any impairment losses in relation to intangible assets, what is expanded in Note 6.

NOTE 5.
PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are presented below:

Table no 2

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**
Carrying amount as at 01.01.2015	**348 603 038**	**85 610 016**	**14 109 532**	**80 233 844**	**21 876 627**	**550 433 057**
Other acquisitions	23 020 635	40 014 633	2 177 819	48 824 787	23 717 314	**137 755 187**
Increases due to the transfer of fixed assets under construction	16 359 760	1 663 906	3 188 807	2 916 182	(24 940 195)	**(811 540)**
Finance lease	-	-	456 801	-	-	**456 801**
Disposals	(6 179 146)	(249 555)	(2 621 199)	(527 709)	(10 723 769)	**(20 301 378)**
Liquidations	(577 592)	(2 027 662)	(27 535)	(514 753)	(433 150)	**(3 580 691)**
Finance lease	-	-	(468 246)	-	-	**(468 246)**
Depreciation	(27 119 196)	(22 432 576)	(7 415 718)	(33 826 642)	-	**(90 794 133)**
Other changes	(93 750)	(440 481)	(666 899)	(842 143)	(1 354 321)	**(3 397 594)**
Carrying amount as at 31.12.2015	**354 013 748**	**102 138 280**	**8 733 362**	**96 263 567**	**8 142 507**	**569 291 463**
Carrying amount as at 01.01.2016	**354 013 748**	**102 138 280**	**8 733 362**	**96 263 567**	**8 142 507**	**569 291 463**
Acquisition through business combination	7 187 249	8 007 495	1 040 865	8 412 991	2 101 606	**26 750 207**
Other acquisitions	11 822 338	36 680 540	10 693 370	31 599 574	21 516 993	**112 312 815**
Increases due to the transfer of fixed assets under construction	7 572 622	865 103	10 072	1 135 361	(6 713 104)	**2 870 054**
Finance lease	-	556 910	-	1 814 123	-	**2 371 034**
Disposals	(14 450 189)	(126 661)	(3 136 907)	(323 180)	(97 500)	**(18 134 437)**
Liquidations	(2 390 643)	(292 915)	(13 907)	(185 889)	-	**(2 883 355)**
Finance lease	-	(2 629 054)	(172 146)	(486 568)	-	**(3 287 768)**
Depreciation	(29 688 465)	(29 225 659)	(6 323 521)	(38 162 705)	-	**(103 400 349)**
Other changes	5 706 694	-	1 053 304	396 741	(5 651 995)	**1 504 745**
Carrying amount as at 31.12.2016	**339 773 354**	**115 974 040**	**11 884 493**	**100 464 014**	**19 298 508**	**587 394 409**

Table no 2

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2016 (continued)

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	**Total**
As at 31.12.2015						
Cost	503 088 280	222 218 383	112 500 239	278 279 288	8 142 507	1 124 228 698
Accumulated amortisation and impairment losses	(149 074 532)	(120 080 103)	(103 766 877)	(182 015 721)	-	(554 937 233)
Carrying amount	**354 013 748**	**102 138 280**	**8 733 361**	**96 263 567**	**8 142 507**	**569 291 464**
As at 31.12.2016						
Cost	518 536 350	265 279 802	121 974 891	320 642 440	19 298 508	1 245 731 991
Accumulated amortisation and impairment losses	(178 762 997)	(149 305 762)	(110 090 398)	(220 178 426)	-	(658 337 582)
Carrying amount	**339 773 354**	**115 974 040**	**11 884 493**	**100 464 014**	**19 298 508**	**587 394 409**

Property, plant and equipment under finance lease

The Group uses vehicles, and forklift trucks under finance lease. According to the lease agreements the Group has a right to buy the assets after the termination of the agreed term of lease for a price stated in the agreement or to continue using the leased property under a new lease contract signed with the financing institution. The price is a difference between the value of the leased property repaid immediately and the value of the capital repaid in lease instalments. As at the end of the reporting period, the carrying amount of tangible fixed assets under finance lease was PLN 13.178.895,84 (31.12.2015: PLN 13.505.488), and the amount payable to the lessor in this respect amounted to PLN 21.375.532 (31.12.2015: PLN 19.822.633). The leased items are a property of the lessor (the financing institution) until they are acquired by the Group. Those assets are depreciated for tax purposes by the lessor.
The lease contracts do not include any provisions or any obligations upon the Group concerning dividends, additional debt or additional lease contracts.
Realisation of the lease agreements is secured on lease assets.

NOTE 6.
ANALYSIS OF INDICATIONS OF POTENTIAL IMPAIRMENT OF ASSETS

According to IAS 36 as at 31 December 2015, the Group assessed whether there was any indication that assets might be impaired.

Analyses confirmed that it is not necessary to recognize impairment loss as at 31.12.2016.
The subsequent assessment is planned on 31.12.2017.

The Group performed impairment tests for trademarks with an indefinite useful:

For intangible assets with indefinite useful lives, the Group performed the following impairment tests:
- impairment test of the "Eurocash" trademark with a value PLN 27,387,672 as at 31.12.2016,
- impairment test of the "abc" trademark with a value PLN 17,216,759 as at 31.12.2016.

Value in use of the trademark was determined 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 the trademark. This method is based on the assumption that the benefits derived from the trademark are equal to costs which would have to be incurred by an entity with no rights to the trademark (if trademark had been used under a license agreement charged at market rates). Fair value was qualified to the 3rd hierarchy level.
The market level of license fees is determined based on projection of sales of products marked with the trademark with 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.
For impairment tests for goodwill recoverable amount was determined as the value in use of the tested cash-generating unit, based on financial projections for 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 for years 2017-2021. The Weighted Average Cost of Capital (WACC) was used as the discount rate (from 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 increasing number of stores in each year of the forecast. Average sales of 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 analyzed.

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

As at 31.12.2016 the Group also conducted impairment tests according to each of goodwill presented in the financial statements at a total value of PLN 1.254.108.025 with method of calculating the recoverable value.

The recoverable amount was compared to the carrying value of assets defined as the sum of the cash generating unit, excluding goodwill, net of liabilities forming part of working capital.
Excess of recoverable amount over the carrying amount of the cash-generating unit was compared with the goodwill recognized in the consolidated financial statements.

For purposes of impairment tests performed for goodwill carrying amounts of goodwill were determined. In addition it was assumed that generation of cash flows by CGUs requires involvement of net assets and therefore, carrying amounts of goodwill were also grouped with net assets for the purpose of testing.
For impairment tests recoverable amount was determined as the value in use of the tested cash-generating unit, based on financial projections for years 2016-2020, 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 for years 2017-2021. The Weighted Average Cost of Capital (WACC) was used as the discount rate (depending on the value of the company and its kind of activity, it was (from 7,77% to 12,50%).
In order to determine total sales value, sales increases were forecasted for stores existing on the date of testing, as well as increasing number of stores in each year of the forecast. Average sales of 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 analyzed.

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

NOTE 7.
INVESTMENT PROPERTIES

Investment properties are presented below:

Table no 3

INVESTMENT PROPERTY AS AT 31.12.2016

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

NOTE 8.
INVESTMENTS IN COMPANIES VALUED USING THE EQUITY METHOD

Investments in companies valued using the equity method are presented below:

Table no 4

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Opening balance	**35 691 120**	-
Increase in reporting period:	**3 980 623**	**35 691 120**
Acquisition of shares in associates *	3 980 623	29 803 838
Reclassification of 50% of shares in PSD	-	5 887 282
Decrease in reporting period:	**(4 720 007)**	**-**
Interest in losses of associates	(4 720 007)	-
Closing balance	**34 951 736**	**35 691 120**

* mainly due to the acquisition in 2016, by Eurocash S.A. 1,075,844 new ordinary shares in Frisco S.A. for the amount of PLN 3,845,498, due to the capital increase of the company Frisco S.A.

NOTE 9.
OTHER LONG-TERM INVESTMENTS

Other investments are presented below:

Table no 5

OTHER LONG-TERM INVESTMENTS AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Shares in other entities	531 570	531 570
	531 570	**531 570**

NOTE 10.
LONG-TERM RECEIVABLES

Long-term receivables are presented below:

Table no 6

LONG-TERM RECEIVABLES AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Security deposits on rental agreements	3 180 445	2 870 655
Other long-term receivables	71 202	152 202
	3 251 647	**3 022 857**

NOTE 11.
OTHER LONG-TERM PREPAYMENTS

Other long-term prepayments are presented below.

Table no 7

OTHER LONG-TERM PREPAYMENTS AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
IT licences	-	2 771
Rentals	-	36 225
Leasing interest	-	43 091
Rental of premises - premium	-	307 989
Other prepayments	8 204	713 316
	8 204	**1 103 391**

NOTE 12.
INVENTORIES

Inventories are presented below:

Table no 8
INVENTORIES AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Merchandise	1 088 653 357	967 664 981
Materials	255 066	267 134
Total inventories, including:	**1 088 908 423**	**967 932 115**
- carrying amount of inventory deposits securing payments of liabilities	170 000 000	310 000 000

Table no 9
ALLOWANCE 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
Opening balance	**20 671 813**	**22 894 411**
- increase through merger of entities	167 508	-
- increase in the allowance during the period	5 792 624	5 802 685
- write-offs during the period	(9 637 072)	(8 025 283)
Closing balance	**16 994 873**	**20 671 813**

NOTE 13.
TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables are presented below:

Table no 10

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Trade receivables	**1 748 183 884**	**1 533 302 770**
Credit sales	1 086 275 100	937 187 443
Receivables from suppliers *	640 164 447	559 003 141
Receivables from franchisees**	26 515 066	31 367 928
Franchise fees	18 075 400	16 504 709
Other trade receivables	38 152 841	44 221 980
Allowance for trade receivables	(60 998 968)	(54 982 432)
Current tax assets	**8 958 439**	**11 944 512**
Other receivables	**139 874 535**	**106 801 285**
VAT settlements	56 083 533	72 584 964
Receivables subject to legal proceedings	73 541 608	70 990 411
Receivables from employees	1 515 536	1 778 624
Insurance claims receivables	2 260 541	2 022 725
Receivables from sales fixed assets	4 164 820	790 312
Advances for acquisition of shares	26 500 000	-
Other receivables	34 531 041	24 967 774
Allowance for other bad debts	(58 722 543)	(66 333 525)
Total receivables, including:	**1 897 016 859**	**1 652 048 567**
- short-term	1 897 016 859	1 652 048 567

* these receivables are for vendor transactions which, according to the characteristics of these transactions, are presented in the consolidated income statement as sales revenues or reduction of 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 14.
SHORT-TERM INVESTMENTS

Short-term investments are presented below:

Table no 11

OTHER SHORT-TERM INVESTMENTS AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Loans granted to other entities	5 713 175	-
	5 713 175	**-**

NOTE 15.
SHORT-TERM PREPAYMENTS

Short-term prepayments are presented below

Table no 12

SHORT-TERM PREPAYMENTS AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Alcohol licences	11 688 070	3 017 807
Rentals	3 094 828	3 620 288
Media	53 313	331 258
Insurances	3 755 787	3 461 540
Lease of commercial premises	3 745 562	2 492 241
Developing of franchise chain	7 053 193	-
Software and licenses	21 174	1 904 424
Other settlements	666 688	1 787 478
Other short-term prepayments	17 168 191	6 630 584
	47 246 807	**23 245 620**

NOTE 16.
CASH AND CASH EQUIVALENS

Cash and cash equivalents are presented below:

Table no 13

CASH AND CASH EQUIVALENTS AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Cash at bank	28 480 272	23 708 026
Cash on hand	3 732 269	2 657 247
Cash in transit	69 480 756	35 069 412
Cash on short-term deposits	59 253 854	24 753 558
Others	923 954	8 503
Total cash	**161 871 104**	**86 196 747**

NOTE 17.
CASH POOLING SYSTEM

On 2 February 2009 Eurocash Group companies entered into a cash pooling agreement with daily credits with ING Bank Śląski S.A. ("Cash Pool"). The objective of this agreement is to implement efficient management of joint financial liquidity within a group of bank accounts.

Each Group company has a separate current bank account. Eurocash S.A. is the administrator of the overall scheme, which operates the following two accounts:

- *the main account* - within the group of accounts;
- *the main cash pooling account* - outside the group of accounts, where the consolidated balance of all accounts is mapped.

The DOLMA system is based on an offsetting mechanism. Offsetting is the final operation of each working day, consisting in transferring of all positive and negative balances from particular current accounts to *the main account*, as per account balance. This operation is reversed at the beginning of the following working day.

Interest is charged on the amount outstanding on the main cash pooling account on the last day of each calendar month.

The Group presents the effect of its cash pooling scheme operation in net values, in order to demonstrate the economic justification of this liquidity management system.

NOTE 18.
SHARE CAPITAL

Share capital is presented below:

Table no 14
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
Share capital	**139 096 361**	**138 829 311**

As at 31 December 2016, share capital consisted of 139.096.361 ordinary shares, including:
- 127.742.000 A series ordinary shares to the bearer with the nominal value of 1 PLN each
- 3.035.550 B series ordinary shares to the bearer with the nominal value of 1 PLN each
- 2.929.550 C series ordinary shares to the bearer with the nominal value of 1 PLN each
- 830.000 D series ordinary shares to the bearer with the nominal value of 1 PLN each
- 1.414.900 E series ordinary shares to the bearer with the nominal value of 1 PLN each
- 537.636 F series ordinary shares to the bearer with the nominal value of 1 PLN each
- 997.000 G series ordinary shares to the bearer with the nominal value of 1 PLN each
- 941.000 H series ordinary shares to the bearer with the nominal value of 1 PLN each
- 253.000 I series ordinary shares to the bearer with the nominal value of 1 PLN each
- 415.725 M series ordinary shares to the bearer with the nominal value of 1 PLN each

The structure of shareholders with more than 5% of the total number of voting rights is presented below:

Table no 15
SHAREHOLDERS STRUCTURE

	31.12.2016				31.12.2015			
Shareholder	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 indiriectly by Politra B.V.)	60 615 240	43,58%	60 615 240	43,58%	60 615 240	43,66%	60 615 240	43,66%

Changes in the initial capital were as follows:

Table no 16

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**
Incentive programs for employees	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 Group 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 the 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.
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 19.
SHARE OPTIONS

Treasury share options are presented below:

Table no 17

OPTIONS FOR SHARES IN THE PERIOD FROM 01.01 TO 31.12.2016

	Number of options	Weighted average exercise 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 the Resolution of the Annual General Meeting Eurocash S.A. No. 3 of November 26, 2012 on the Eighth, Ninth and Tenth Motivation and Reward Program for Employees for the years 2012, 2013 and 2014, it was decided to issue shares of Series M, Series N and O Series under the Motivation program for managers, executives and essential persons to the business of the Company and the Group Eurocash S.A.

The program is implemented in conjunction with the Company's intention to continue motivation programs for the earlier years for managers, executives essential persons to the business of the Company and the Group Eurocash and lay the foundations to enable outstanding employees to acquire shares in the Company as part of the premium.

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 (Eighth 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 met, Incentive Ninth Premium Incentive Program was not implemented.

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

Persons entitled to purchase all or part of the Series I bonds be will only managers, executive officers and persons essential to the business of the Company and the Group Eurocash, employees performing their duties in a period of 3 years from 1 January 2012.
The list of pre-qualified for persons eligible to purchase Series I bonds has been approved by resolution No 20 of the General Meeting on 20 May 2013.

Final List of Eligible Persons will be determined by resolution of the Supervisory Board, and if it will include the persons awarded, will be further approved by the General Assembly, no later than 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 Shares will be PLN 38.

The company valued the value of the Incentive Program for the eighth series bonds and the amount of PLN 19,764.0 thousand..
This value was accounted for as of 1 January 2013 for a period of 26 months.
Until 31 December 2016 were not used 17,371 Series I bonds giving the right to subscribe for 434,275 shares series M.
In the period from January 1 to December 31, 2016 consisted of 267,050 shares ordinary series M.

Share option programs are valuated using the Black-Scholes model. Details of 8 Share option program are presented below.

Table no 18

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 share option programs charged to the consolidated income statement of the Group for 2016 amounted to PLN 0 (2015: PLN 1.013.543).

NOTE 20.
PROVISIONS AND ACCRUALS

Provisions and accruals are presented below:

Table no 19

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2014 TO 31.12.2016

	Employee benefits	Accrual for costs of transport	Accrual for advertising costs	Accrual for wholesalers income commission
Provisions and accruals as at 01.01.2015	**65 824 034**	**3 386 371**	**31 770 055**	**913 470**
Increases	12 184 096	2 741 243	2 549 343	-
Decreases	(4 608 686)	-	-	(66 564)
Provisions and accruals as at 31.12.2015, including:	**73 399 444**	**6 127 614**	**34 319 398**	**846 905**
- short-term	69 904 355	6 127 614	34 319 398	846 905
- long-term	3 495 089	-	-	-
Provisions and accruals as at 01.01.2016	**73 399 444**	**6 127 614**	**34 319 398**	**846 905**
Increases	26 116 174	217 538	-	46 021
Decreases	(10 004 704)	-	(3 065 791)	-
Provisions and accruals as at 31.12.2016, including:	**89 510 913**	**6 345 152**	**31 253 607**	**892 927**
- short-term	84 543 917	6 345 152	31 253 607	892 927
- long-term	4 966 996	-	-	-

Table no 19

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2014 TO 31.12.2015 (continued)

	Provision for interests	Accrual for costs of media	Other	**Total**
Provisions and accruals as at 1 January 2015	**12 814 887**	**6 114 621**	**37 755 343**	**158 578 781**
Increases	-	1 731 837	10 025 150	29 231 668
Decreases	(4 548 344)	-	-	(9 223 595)
Provisions and accruals as at 31 December 2015, including:	**8 266 543**	**7 846 458**	**47 780 492**	**178 586 855**
- short-term	8 266 543	7 846 458	47 590 092	174 901 366
- long-term	-	-	190 400	3 685 489
Provisions and accruals as at 1 January 2016	**8 266 543**	**7 846 458**	**47 780 492**	**178 586 855**
Increases	3 127 065	577 426	13 520 270	43 604 494
Decreases	-	-		(13 070 495)
Provisions and accruals as at 31 December 2016, including:	**11 393 608**	**8 423 884**	**61 300 763**	**209 120 854**
- short-term	11 393 608	8 423 884	60 767 186	203 620 281
- long-term	-	-	533 577	5 500 573

Table no 20

PROVISIONS AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Employee benefits	89 510 913	73 399 443
Accrual for advertising costs	31 253 607	34 319 398
Accrual for intrests	11 393 608	8 266 543
Accrual for costs of media	8 423 884	7 846 458
Accrual for ligitations	10 503 439	7 769 658
Accrual for advisory and audit	3 136 949	2 558 393
Accrual for costs of transport	6 345 152	6 127 614
Accrual for rental costs	5 518 566	2 960 998
Accrual for agent's commisions	892 927	846 905
Accural for IT modernist works	1 674 086	977 876
Other provisions and accruals	40 467 724	33 513 567
	209 120 854	**178 586 855**
- long-term	5 500 573	3 685 489
- short-term	203 620 281	174 901 365

Provisions and liabilities for employee benefits

Provisions and liabilities for employee benefits include provision for retirement benefits 3.575.563 PLN (the remaining part mainly pay liabilities and provisions for holidays).

Provision for retirement benefits was calculated using the actuary. The actuarial estimations include discount rate of 3.0%, 3.0% wage decrease.

Provision for the costs of advertising and marketing

Provision for advertising and marketing costs include mainly provisions related to the allocation of the marketing services provided by the receivers.

It is expected that these provisions will be realized within 12 months from 31 December 2015.

Provision for interest

Provision applies to the estimated costs associated with unpaid liabilities for which contractual dates passed as at 31 December 2016.

It is expected that the reserve will be completed within 12 months from 31 December 2016.

NOTE 21.
TRADE AND OTHER PAYABLES

Trade and other payables are presented below:

Table no 21

TRADE AND OTHER PAYABLES AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Trade payables	**3 459 300 147**	**3 225 544 402**
Payables due to purchase of goods	3 313 668 674	3 057 112 057
Payables due to services received	145 631 473	168 432 345
Current tax liabilities	**7 555 050**	**4 650 392**
Other payables	**144 193 051**	**89 828 567**
VAT settlements	10 990 270	4 109 042
Liabilities due to purchases of assets	6 541 818	22 741 476
Liabilities due to social securities	28 209 330	26 163 861
Liabilities due to taxes and insurances	7 380 680	6 528 361
Liabilities in relation to aquisitions	87	601 812
Liabilities from deposit	3 382 949	3 098 869
Liabilities due to the payroll	322 611	415 262
Option for purchase/sell of shares	69 189 100	-
Other payables	18 176 205	26 169 884
Total payables, including:	**3 611 048 248**	**3 320 023 360**
- long-term	72 643 362	3 098 869
- short-term	3 538 404 886	3 316 924 492

Trade payables also include trade payables covered by the reverse factoring agreements (with eight banks), which do not substantially change the conditions of trade payables.

As 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 consolidated financial statements have been included options to repurchase the remaining 50% of shares by Eurocash S.A. granted by Eurocash S.A. to the other shareholders of Firma Rogala, FHC-2 and Madas. Options can be exercised at the earliest 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 22.
LOANS AND BORROWINGS

Loans and borrowings are presented below:

Table no 22
LOANS AND CREDITS AS AT 31 DECEMBER 2016

	Credit destination	Liability amount	Interest rate	Costs for the period from 01.01.2016 to 31.12.2016
ING Bank Śląski S.A.	Credit for financing the current activity	200 000 000	WIBOR + bank's margin	7 107 933
ING Bank Śląski S.A.	Overdraft for financing of current activities	8 339 242	WIBOR + bank's margin	170 308
PKO S.A	Overdraft for financing of current activities	66 726 098	WIBOR + bank's margin	716 050
Total loans and credits		**275 065 340**		**7 994 291**
- short-term		275 065 340		

In addition, the Company has a line of credit in the form of a negative balance to the amount of 700 mln PLN in Bank Zachodni WBK S.A., BGŻ Bank BNP Paribas S.A., Bank Gospodarstwa Krajowego S.A., mBank S.A. and the Bank Polska Kasa Opieki S.A. As at 31.12.2016, the limit was reached to the level PLN 200 m.

Eurocash Serwis Sp. o.o. has a flexible credit with a limit to the amount of PLN 110 m in the bank Pekao S.A. As at 31.12.2016, the limit was reached to the level PLN 66,7 m.

In accordance to the credit agreements, the Group is obligated to maintain certain financial ratios at a defined level and for the activity of indicated in the contracts framework. During the reporting period the Group performed all the terms of loan agreements and there was no case of violation. What is more, according to the credit agreements the Group has issued the securities, details of which are expanded in Note 35.

NOTE 23.
OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented below:

Table no 23
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	21 375 084	19 822 633
Liabilities related to financing of franchisees	26 515 066	31 367 928
Valuation of hedging instruments	2 056 426	7 406 518
Other financial liabilities	-	42 957 914
	210 946 576	**241 554 994**
- long-term	154 322 501	158 980 543
- short-term	56 624 075	82 574 451

Payables due to financing of franchisees relate to reverse factoring agreements due to trade receivables.

On June 20, 2013, Eurocash issued bonds with a total nominal value of PLN 140 million within the framework of the bonds program, up to PLN 500 million. The rate of interest for the Bonds shall be determined on the basis of WIBOR for six-month deposits plus the bank's margin. Bonds redemption date is June 20, 2018. The bonds were secured with sureties granted by subsidiaries, up to the amount of PLN 168m. Bonds liabilities are presented in the Group's statement of financial position, under Long-term payables.

Moreover 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 the signing of a bond issue contract, the Group is required to maintain certain financial ratios at a defined level. In the audited period, the Group performed all the regulations of the agreements and there was no violation.

FINANCE LEASE

Table no 24

FINANCE LEASE AS AT 31.12.2016

	as at 31.12.2016 minimum fees	as at 31.12.2016 present value of minimum lease payments	as at 31.12.2015 minimum fees	as at 31.12.2015 present value of minimum lease payments
Future minimum lease payments due to finance lease agreements				
Less than one year	6 599 467	5 651 550	5 256 165	4 401 613
Between one and five years	15 876 035	15 698 420	16 078 169	15 348 325
More than five years	25 658	25 115	76 171	72 695
Total future minimum lease payments due to finance lease agreements	**22 501 160**	**21 375 084**	**21 410 504**	**19 822 633**
Finance costs	1 126 075	X	1 587 871	X
Present value of minimum lease payments due to finance lease agreements	**21 375 084**	**21 375 084**	**19 822 633**	**19 822 633**

OPERATING LEASE

The Group recognized operating lease contracts concerning lease or rental of premises and vehicles and others under which the 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 the ownership of an asset is made.

The contracts relate lease and rental of space for commercial activities such as sales of groceries, cigarettes, alcohols, household chemicals and non-food merchandise. The Group has the contracts relate to the use of storage space for logistics and transport purposes, as well as office space for administrative activities of headquarters' employees. Moreover, the Group recognized an operating lease contracts related to lease of vehicles used by the lessee in the current operations.
For contracts relating to wholesale and retail space, the price is defined per 1 square meter. Prices are adjusted by annual rate of inflation published by the Central Statistical Office, fluctuations of 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.
Regarding the lease of storage and office space at the distribution center in Komorniki, two fixed monthly lease charges were established. The first charge is valid for the first two years of contract and the other charge is valid in next 14 years thereafter.
Term and termination conditions stated in the contracts say 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 date of the termination of the contract, then the contract shall be extended automatically for the next period (the same as per the original contract).

Specification of minimum operating lease charges is presented below:

Table no 25
OPERATING LEASE AGREEMENTS AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Future minimum lease payments due to operating lease agreements		
Less than one year	118 512 403	126 921 198
Between one and five years	386 878 905	323 248 068
More than five years	539 852 990	399 169 513
Total future minimum lease payments due to operating lease agreements	**1 045 244 297**	**849 338 778**

Operating lease payments for 2016 amounted to PLN 167.087.707 (2015: PLN 150.590.785).

NOTE 24.
INCOME TAX

Income tax for the reporting period is presented below:

Table no 26

INCOME TAX FOR THE PERIOD FROM 01.01 TO 31.12.2016 (main components)

Income statement	for the period from 01.01.20156 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
Current income tax	(38 399 960)	(32 590 752)
Deferred tax	(7 502 053)	(2 835 505)
Total income tax	**(45 902 013)**	**(35 426 257)**

Table no 27

TAX RECONCILIATION FOR THE PERIOD FROM 01.01 TO 31.12.2016

	from 01.01.20156 to 31.12.2016	from 01.01.2015 to 31.12.2015
Profit before tax	**235 918 759**	**265 637 627**
Income tax calculated base on 19% income tax rate	(44 824 564)	(50 471 149)
Negative temporary differences not passing through the current tax	245 552	225 828
Adjustment of current tax of previous years	(42 645)	(555 191)
Tax losses, for which the deferred tax asset was not recognized	(2 636 284)	-
Tax effect of the financial result of entities valued at equity method	(896 801)	(721 383)
Tax effect of trademarks	8 360 000	21 469 773
Other permanent tax differences	(6 107 271)	(5 374 135)
Income tax in income statement	**(45 902 013)**	**(35 426 257)**
Effective tax rate	19,46%	13,34%

NOTE 25.
DEFFERED TAX

Deferred tax is presented below:

Table no 28

DEFERRED TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 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 01.01.20156 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015	for the period from 01.01.20156 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
Deferred tax liabilities						
- difference between tax and carrying amount of fixed assets	22 155 511	15 304 693	6 850 818	4 848 746	-	-
- deferred income	62 629 590	43 836 667	18 792 923	(1 571 212)	-	-
- revenues from accrued interests	937 692	808 800	128 893	290 095	-	-
- financial lease liabilities	553 448	616 958	(63 510)	(249 079)	-	-
- unrealized foreign exchange differences	10	564	(554)	564	-	-
- income from contractual penalties unpaid	1 028 367	799 753	228 614	171 917	-	-
- other	9 027 253	8 234 427	792 825	(1 204 791)	-	-
Gross deferred tax liabilities	**96 331 872**	**69 601 862**	**26 730 010**	**2 286 240**	**-**	**-**

Table no 28

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 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 01.01.20156 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015	for the period from 01.01.20156 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
Deferred tax assets						
- bonuses	17 595 675	8 541 802	(9 053 873)	5 046 330	-	-
- allowance for inventories	2 209 017	2 578 121	369 105	256 537	-	-
- allowance for bad debts	19 654 485	17 400 018	(2 254 467)	(1 394 237)	-	-
- Impairment loss of fixed assets	-	506 780	506 780	14 206	-	-
- tax losses from prior years	7 911 892	6 046 143	(1 865 748)	7 662 352	-	-
- impairment loss of fixed assets	513 974	-	(513 974)	-		
- tax profit from sale of fixed assets	-	-	-	(345 562)	-	-
- holiday accrual	3 405 305	3 423 977	18 672	(34 340)	-	-
- accrual for employees' bonuses	4 043 581	3 425 992	(617 589)	(2 248 706)	-	-
- unpaid payroll and social securities	2 657 939	2 328 259	(329 680)	355 303	-	-
- provision for retirement benefits, disability benefits, death benefits	731 497	717 844	(13 654)	(90 430)	-	-
- prepayments of wholesalers agency commission	169 656	160 912	(8 744)	1 704	-	-
- accrual for rental costs	412 049	335 269	(76 780)	411 015	-	-
- accrual for advertising costs	9 291 863	10 258 040	966 177	(945 300)	-	-
- accrual for costs of transport	850 690	942 656	91 965	(299 245)	-	-
- accrual for costs of media	1 357 999	1 178 007	(179 992)	(228 511)	-	-
- accrual for advisory	281 748	407 867	126 119	32 190	-	-
- provisions for legal disputes	2 089 162	2 165 292	76 129	(526 807)	-	-
- provisions for Amrest	-	-	-	(35 594)	-	-
- finance lease liabilities	(132 656)	(169 064)	(36 408)	171 385	-	-
- provisions for audit	15 771	30 233	14 461	(11 328)	-	-
- trademarks	10 487 818	13 667 761	3 179 943	(13 332 055)	-	-
- unrealized exchange losses	1 301	116	(1 185)	3 102	-	-
- provision for postal and telecommunication costs	67 239	53 082	(14 157)	(17 487)	-	-

Table no 28

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 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 01.01.20156 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015	for the period from 01.01.20156 to 31.12.2016	for the period from 01.01.2015 to 31.12.2015
Deferred tax assets						
- provision for restructuring costs	-	-	-	3 772 697	-	-
- provision for unprofitable contracts	2 067 137	2 020 227	(46 910)	(276 961)	-	-
- accrued interest on trade payables	947 376	1 397 361	449 985	649 552	-	-
- accrued interest on loans and borrowings	960 929	82 183	(878 746)	149 854	-	-
- other provisions and accruals	29 178 670	20 051 674	(9 126 996)	1 769 425	-	-
- valuation of hedging instruments	390 721	1 407 239	-	-	1 016 518	829 911
- bonus allocated to inventories	144 146	135 753	(8 393)	40 176	-	-
Gross deferred tax assets	**117 304 983**	**99 093 544**	**(19 227 957)**	**549 265**	**1 016 518**	**829 911**
Allowance of deferred tax asset	-	-	-	-	-	-
Deferred tax assets	**117 304 983**	**99 093 544**	**(19 227 957)**	**549 265**	**1 016 518**	**829 911**
Deferred income tax effect			**7 502 053**	**2 835 505**	**1 016 518**	**829 911**
Net deferred tax liabilities	**60 338 030**	**54 913 023**	**X**	**X**	**X**	**X**
Net deferred tax assets	**81 311 142**	**84 404 706**	**X**	**X**	**X**	**X**

NOTE 26.
SALES IN THE REPORTING PERIOD

Sales are presented below:

Table no 29

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	19 872 981 523	19 239 581 939
Sale of services	1 341 438 313	1 073 270 965
Sales of materials	5 479 933	5 359 731
Total sale	**21 219 899 769**	**20 318 212 635**

NOTE 27.
COSTS BY TYPE

Costs by type are presented below:

Table no 30

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	166 212 492	150 551 653
Materials and energy	120 197 082	115 357 617
External services	859 565 570	783 383 450
Taxes and charges	33 830 433	38 598 779
Salaries	650 981 995	562 109 420
Social security and other benefits	129 943 938	113 739 413
Other costs by type	42 783 499	23 843 975
Costs by type	**2 003 515 010**	**1 787 584 307**
including:		
Cost of services sold	148 897 359	139 456 800
Cost of goods sold	1 532 424 939	1 349 783 363
General and administrative expenses	322 192 712	298 344 145

NOTE 28.
OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are presented below:

Table no 31

OTHER OPERATING INCOME AND EXPENCES 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
Other operating income	**59 669 236**	**49 369 824**
Penalties for suppliers	10 410 611	11 115 884
Other sales	6 754 475	9 277 551
Sub-lease of premises	7 505 379	7 110 513
Profit on sales of fixed assets	2 568 653	1 175 844
Inventory surplus	4 890	163 653
Compensation received	1 747 186	2 567 851
Revenus from transport services	321 809	75 666
Provision for slow-movers and damaged goods	-	105 148
Reversal of allowance for bad debts	430 829	150 563
Donation received	1 120 538	-
Write-off of liabilities	10 200 000	-
Other operating income	18 604 867	17 627 151
Other operating expenses	**(114 560 200)**	**(92 991 288)**
Liquidation of damages and expired goods	(43 503 381)	(44 858 758)
Inventory shortages	(27 096 533)	(25 355 280)
Losses from disposals of property, plant and equipment	(2 461 550)	(2 665 119)
Allowance for bed debts	(11 305 121)	(2 298 549)
Allowance for inventory	(475 060)	-
Paid penalties	(70 530)	(29 973)
Litigations	(316 768)	(12 686)
Other	(29 331 256)	(17 770 923)
Net other operating expenses	**(54 890 964)**	**(43 621 465)**

NOTE 29.
FINANCE INCOME AND COSTS

Finance income and costs are presented below:

Table no 32

FINANCE INCOME 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
Finance income	**24 205 984**	**17 009 610**
Revenues from discounts	5 537 640	3 639 630
Interest	6 366 424	2 564 317
Fees for bank guarantee	7 589	26 470
Foreign exchange gains	93 130	36 620
Dividends	764 247	-
Other financial income	11 436 953	10 742 573
Finance costs	**(57 849 438)**	**(72 657 419)**
Interest	(50 800 924)	(59 929 243)
Bank fees	(5 129 689)	(7 243 774)
Foreign exchange losses	(816 437)	(238 062)
Other finance costs	(1 102 388)	(5 246 340)
Net finance expenses	**(33 643 454)**	**(55 647 808)**

NOTE 30.
EARNINGS PER SHARE

Earnings per share are presented below:

Table no 33
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
Earnings		
Profit for the period attributable to the Owners of the Company	179 221 629	212 369 981
Number of issued shares		
Weighted average number of shares	139 023 791	138 697 752
Dilution efect of potential number of shares:		
Convertible bonds	97 197	63 601
Weighted average number of shares (to calculate diluted earnings per share)	139 120 988	138 761 353
Earnings per share		
- basic	1,29	1,53
- diluted	1,29	1,53

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
Weighted average number of shares determined for the purpose of calculating the value of diluted earnings per share includes the issued bonds convertible to shares and is calculated as the total of the weighted average number of ordinary shares plus the potential free of charge issue of ordinary shares .

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 market value during the period.
The weighted average number of shares for the purpose of calculating diluted earnings per share was not adjusted for conversion of convertible bonds conducted during the periods following the date ending the reporting period on non-arm's length basis.

Description of factors diluting the number of shares
Earnings per share are diluted as a consequence of a realization of share option programs described in Note 19.

NOTE 31.
BOOK VALUE PER SHARE

Book value per share is calculated as a relation of book value to the number of shares as at the end of the reporting period.

Table no 34

BOOK VALUE PER SHARE AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Book value	1 085 650 381	1 100 326 626
Number of shares (excl. treasury shares)	139 096 361	138 829 311
Diluted number of shares	139 530 636	139 530 636
Book value per share	7,81	7,93
Diluted book value per share	7,78	7,89

NOTE 32.
REMUNERATION AND OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Members of the Management Board and the Supervisory Board are considered as key management personnel.

Table no 35

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE PARENT IN THE PERIOD FROM 01.01 TO 31.12.2016

	Basic salary	Other benefits	Managerial optoins	Total
Remuneration of the Members of the Management Board				
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
	8 020 000	**450 332**	**-**	**8 470 332**
Remuneration of the Members of the Supervisory Board				
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 Szwajcowski	182 201	-	-	182 201
	967 237	**-**	**-**	**967 237**

NOTE 33.
EMPLOYMENT

Number of employees as at 31.12.2016 is presented below:

Table no 36

NUMBER OF EMPLOYEES AS AT 31.12.2016

	as at 31.12.2016	as at 31.12.2015
Number of employees	14 817	11 622
Number of full-time jobs	14 632	11 455

Employment structure as at 31.12.2016 is presented below:

Table no 37

EMPLOYMENT STRUCTURE AS AT 31.12.2016

	Wholesale discounts and distribution centres	Head office	Total
Number of employees	12 798	2 019	**14 817**
Number of full-time jobs	12 635	1 997	**14 632**

Data concerning employee turnover ratios as at 31.12.2016 is presented below:

Table no 38

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
Acquisitions	3 046	-
Number of hired employees	4 086	4 352
Number of dismissed employees	(3 937)	(4 432)
	3 195	**(80)**

NOTE 34.
DATA OF ITEMS NOT INCLUDED IN THE FINANCIAL STATEMENTS

Table no 39

CONTINGENTIES AS AT 31.12.2016

	Beneficiary	Title	Currency	as at 31.12.2016	as at 31.12.2015
1.	BZ WBK *	Surety for the obligations due to the "Franchise partners financing program" for the Franchisee Delkatesy Centrum	PLN	12 280 125	30 546 530
				12 280 125	**30 546 530**

* debt value as at balance sheet date

Table no 40

OTHER BANK GUARANTEES AS AT 31.12.2016

	The Issuer	Title	Currency	as at 31.12.2016	as at 31.12.2015
1	ING Bank Śląski	Security for rent liabilities	PLN	-	821 100
2	ING Bank Śląski	Security payments to suppliers	PLN	37 500	6 550 000
3	PKO BP S.A.	Security for agency agreement	PLN	500 000	500 000
4	PKO BP S.A.	Security for rent liabilities	PLN	6 796 675	5 016 630
5	PKO BP S.A.	Security for rent liabilities	PLN*	24 801 131	22 121 539
6	PKO BP S.A.	Security for excise duty	PLN	2 100 000	3 100 000
7	PKO BP S.A.	Security of the bank guarantee for Generalna Dyrekcja Dróg i Autostrad	PLN	620 100	620 100
8	PKO BP S.A.	Security of the liabilities of the promotion lottery	PLN	523 659	384 468
9	PKO BP S.A.	Security of payments to suppliers	PLN	72 230 000	115 070 000
				107 609 065	**154 183 836**

* Converted at an average rate of NBP as at 31 December 2016 1 EUR 4,4240 PLN; as at 31 December 2015 1 EUR 4,2615 PLN.

NOTE 35.
COLLATERALS

Table no 41

SECURITY ON ASSETS AS AT 31.12.2016

Title	Secured property	Amount secure in PLN
ING security on the credit line agreement *	Deposit on inventories Eurocash S.A.	90 000 000
PKO BP Guarantee on securing the payment for suppliers*	Deposit on inventories Eurocash Serwis Sp. z o.o.	80 000 000
Security on the consolidated loan agreement *	Deposit on inventories Eurocash Serwis Sp. z o.o.	9 547 300
Security on the consolidated loan agreement *	Deposit on inventories Eurocash Franczyza Sp. z o.o.	3 800 000
Financial leasing agreements (due to net value of fixed assets at the balance sheet date)	Ownership of fixed assets in financial leasing	11 205 479
		194 552 779

NOTE 36.
FINANCIAL RISK MANAGEMENT

a. General information

The Group has exposure to the following risks from its use of financial instruments:

a) credit risk
b) liquidity risk
c) market risk
d) operation risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.
The Parent's Management Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Management Board on its activities.

The Risk Management Committee is established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, 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.

Internal Audit Department operating in the Parent oversees how management monitors compliance with the Group'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 Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Maximum Group's exposure to credit risks is presented in the table below.

Table no 42

CREDIT RISK EXPOSURE

	as at 31.12.2016	as at 31.12.2015
Receivable and loans	1 841 471 280	1 577 662 715
Cash and cash equivalents	158 138 835	83 590 648
	1 999 610 114	**1 661 253 363**

* excluding cash

Trade and other receivables

Due to the fact that Group's customers are highly distributed and scattered, there is no concentration of credit risks.

The Group's credit risk regarding receivables varies depending on the particular group of clients cooperating with the Group, as follows:

a) sales realized in cash constitute over 90% of total sales realized by wholesale discounts and therefore there is no credit risk;

b) sales service to franchise and independent clients is mostly on credit and has therefore a greater amount of overdue receivables. However, counterparties credit risk is moderate;

c) sales of marketing services to suppliers (promotions, newsletters, advertising brochures) are exposed to minor credit risks due to compensations of receivables related to sales of marketing services with payables to suppliers, related to additional agreements,

d) 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;

e) credit sales of tobacco products and impulse goods by the subsidiary Eurocash Serwis Sp. z o.o. - a higher percentage of overdue receivables occurs in this category; however, the related credit risk is assessed as moderate;

The Group monitors the amount of overdue receivables on an ongoing basis and in justified cases initiates legal proceedings and raises an allowance for bad debts.

The tables below present the aging structure of trade receivables and bad debts allowances:

Table no 43

AGEING OF TRADE RECEIVABLES AND BAD DEBT ALLOWANCES AS AT 31.12.2016

	Trade receivables gross as at 31.12.2016	Bad debts allowance as at 31.12.2016	Trade receivables gross as at 31.12.2015	Bad debts allowance as at 31.12.2015
current	1 437 616 524	-	1 229 302 482	-
0-30 days	201 369 415	-	181 995 234	-
31-90 days	74 407 905	284 504	74 409 244	-
91-180 days	26 175 736	5 972	34 651 411	-
> 180 days	69 613 274	60 708 492	67 926 830	54 982 432
	1 809 182 853	**60 998 968**	**1 588 285 202**	**54 982 432**

Table no 44

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	54 982 431	55 560 604
Increases	6 016 536	-
Decreases	-	(578 173)
Closing balance	**60 998 968**	**54 982 431**

Investments

Cash and cash equivalents are deposited in financial institutions with high credit ratings and the Group does not expect any counterparties to fail to meet their obligations.

Guarantees
The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries and for regular key customers.

c. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The basis for effective liquidity risk management in the Eurocash Group is an internal model of forecasting cash flows. The Group's liquidity management is focused on detailed analysis, planning and acting in the following three areas:
a) investments in fixed assets,
b) working capital,
c) net financial debt.

The Group's sales is realized mainly in cash. Moreover, the Group has a negative balance of overdraft facility (excluding cash pool) up to PLN 700m, which can be used to meet its short-term financial requirements. As at 31 December the limit was reached to the amount of PLN 200 m
Eurocash Serwis Sp.z o.o. has a flexible credit with a limit to the amount of PLN 110 m in the bank Pekao S.A. As at 31.12.2016. the limit limit was reached to the amount of PLN 66.7 m.
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.

Eurocash Group optimizes the liquidity positions of subsidiaries and net interest income by using the mechanism of concentration balances (cash pooling) and a system of intercompany loans.

Carrying amounts by agreed due dates are presented in the following tables (excluding any compensation agreements of compensation of receivables and payables):

Table no 45

LIQUIDITY RISK

AS AT 31 DECEMBER 2016	Net book value	< 12 months	1-5 years	> 5 years
Financial lease liabilities	21 375 084	5 651 549	15 698 420	25 115
Liabilities due to financing of franchisees	26 515 066	26 515 066	-	-
Trade and other payables	3 556 912 919	3 484 269 556	72 643 362	-
Other finance liabilities	2 056 426	870 532	1 185 894	-
Loans and borrowings	275 065 340	275 065 340	-	-
The issuance of debt securities	161 000 000	21 000 000	140 000 000	-
	4 042 924 834	**3 813 372 043**	**229 527 676**	**25 115**

Table no 45

AS AT 31 DECEMBER 2015	Net book value	< 12 months	1-5 years	> 5 years
Finance lease liabilities	19 822 633	4 401 613	15 348 325	72 695
Liabilities due to financing of franchisees	31 367 928	31 367 928	-	-
Trade and other payables	3 278 571 704	3 275 472 835	3 098 869	-
Other finance liabilities	50 364 433	46 863 828	3 500 604	-
Short-term loans and credits	19 193 856	19 193 856	-	-
The issuance of debt securities	140 000 000		140 000 000	
	3 539 320 554	**3 377 300 060**	**161 947 799**	**72 695**

d. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk
Currency risk does not affect significantly business activities of the Group as the majority of the Group's settlements are made in the local currency. In order to manage the currency risk, regarding significant transactions in foreign currency, the Group buys and sells derivatives. The Group is focused on application of hedge accounting that would minimize the effect of profit and loss variability for the period. In 2016, as well as in 2015, the Group did not have any open positions in currency derivatives

Interest rate risk
The risk of interest rates is related to loans and credits taken out or granted, accordingly.

The following table presents the Company's exposure (maximum exposure) to the risk of interest rate changes by presenting variable and fixed rate financial instruments:

Table no 46

VARIABLE AND FIXED INTEREST RATE FINANCIAL INSTRUMENTS

	Present value 31.12.2016	Present value 31.12.2015
Fixed interest rate instruments		
Financial assets	-	-
Financial liabilities	21 375 085	27 229 152
Variable interest rate instrument		
Financial assets	2 003 342 383	1 663 859 462
Financial liabilities	4 021 549 750	3 512 091 403

The Group has analyzed the variable-interest instruments' sensitivity to changes of market interest rates. The table below presents the impact of increase and decrease of the interest rate by 100 bp 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 and for the previous year, that is 2014.

Table no 47

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS

	Income statement		Equity	
	increases 100bp	decreases 100bp	increases 100bp	dereases 100bp
31 December 2016	(20 182 074)	20 182 074	-	-
31 December 2015	(18 482 319)	18 482 319	-	-

e. Capital management

The Group'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 Group monitors changes in the structure of shareholders, the return on capital and the level of dividends to ordinary shareholders.

It is the objective of the Group 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 Group's approach to capital management during the year.

f. Fair values

As at December 31, 2016, fair value of financial instruments was similar to their carrying value. The Group 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 37.

IMPORTANT EVENTS AFTER BALANCE SHEET DATE

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 Ciaś was appointed Member of the Management Board.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

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