



EUROCASH GROUP

CONSOLIDATED SEMI-ANNUAL REPORT 2020

TRANSLATORS' EXPLANATORY NOTE

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

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

KOMORNIKI, 24th August 2020

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SELECTED CONSOLIDATED FINANCIAL DATA

	Non audited for the period from 01.01.2020 to 30.06.2020 PLN	Non audited for the period from 01.01.2019 to 30.06.2019 PLN	Non audited for the period from 01.01.2020 to 30.06.2020 EUR	Non audited for the period from 01.01.2019 to 30.06.2019 EUR
Sales	12 115 371 122	11 921 168 524	2 744 387 062	2 776 691 245
Operating profit (loss)	61 772 907	71 716 313	13 992 866	16 704 240
Profit (loss) before income tax	(11 720 898)	18 896 771	(2 655 031)	4 401 456
Profit (loss) for the on continued operations	(20 162 415)	6 733 434	(4 567 212)	1 568 359
Profit (loss) for the period	(20 162 415)	6 733 434	(4 567 212)	1 568 359
Net cash from operating activities	220 618 383	260 363 692	49 974 716	60 644 188
Net cash used in investing activities	(225 878 445)	(179 769 035)	(51 166 231)	(41 871 995)
Net cash used in financing activities	60 810 348	(79 627 257)	13 774 826	(18 546 865)
Net change in cash and cash equivalents	55 550 286	967 400	12 583 311	225 328
Weighted average number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Weighted average diluted number of shares	139 163 286	139 163 286	139 163 286	139 163 286
EPS (in PLN / EUR)	(0,14)	0,05	(0,03)	0,01
Diluted EPS (in PLN / EUR)	(0,14)	0,05	(0,03)	0,01
Average PLN / EUR rate*			4,4146	4,2933
	Non audited as at 30.06.2020 PLN	Non audited as at 31.12.2019 PLN	Non audited as at 30.06.2020 EUR	Non audited as at 31.12.2019 EUR
Assets	8 252 544 621	7 885 006 965	1 847 860 417	1 851 592 571
Non-current liabilities	1 806 283 893	1 560 356 149	404 452 282	366 409 804
Current liabilities	5 531 708 565	5 361 251 600	1 238 627 086	1 258 953 058
Equity	914 552 163	963 399 217	204 781 049	226 229 709
Share capital	139 163 286	139 163 286	31 160 610	32 678 945
Number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Diluted number of shares	141 963 286	141 963 286	141 963 286	141 963 286
Book value per share (in PLN / EUR)	6,13	6,45	1,37	1,51
Diluted book value per share (in PLN / EUR)	6,01	6,32	1,35	1,48
Dividends paid (in PLN / EUR)	-	143 380 084	-	33 669 152
Dividends paid per share (in PLN / EUR)	-	1,03	-	0,24
PLN / EUR rate at the end of the period**			4,4660	4,2585

* Profit and loss items and cash flow items calculated on basis at a weighted average rate announced by the National Bank of Poland for 2Q 2020 YTD,

** 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.

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Supervisory Board of Eurocash S.A.

Introduction

We have reviewed the condensed interim consolidated financial statements of Eurocash Group (the 'Group'), for which the holding company is Eurocash S.A. (the 'Company') located in Komorniki at Wiśniowa 11, containing: the introduction to condensed interim consolidated financial statements, condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period from 1 January 2020 to 30 June 2020, condensed consolidated statement of financial position as at 30 June 2020, condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity for the period from 1 January 2020 to 30 June 2020, supplementary information to the condensed interim consolidated financial statements (the 'interim condensed consolidated financial statements').

The Company's Management is responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with National Review Standard 2410 in the wording of the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ('standard'), adopted by the National Council of Statutory Auditors. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with National Auditing Standards in the wording of the International Auditing Standards adopted by the National Council of Statutory Auditors and consequently does not enable us to obtain

assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Warsaw, 24 August 2020

Key certified auditor

Robert Klimacki
certified auditor
no in the register: 90055

on behalf of
Ernst & Young Audyt Polska
spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
no on audit firms list: 130

EUROCASH S.A. GROUP

CONDENSED INTERIM

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 JUNE 2020

TRANSLATORS' EXPLANATORY NOTE

This document is a free translation of the Polish original.
The binding Polish original should be referred to in matters of interpretation.

KOMORNIKI, 24th August 2020

<i>Condensed interim consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

INTRODUCTION TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. INFORMATION ABOUT THE PARENT ENTITY

NAME

EUROCASH Spółka Akcyjna ("Company", "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

DURATION OF THE PARENT COMPANY

Indefinite

PERIOD COVERED BY THE FINANCIAL STATEMENTS

The condensed interim consolidated financial statements cover the 6-month period ended 30 June 2020 and contain comparative data for the 6-month period ended 30 June 2019 and as at 31 December 2019. The statement of comprehensive income, the income statement include data for the 3-month period ended 30 June 2020 and comparative data for the 3-month period ended 30 June 2019, which were not reviewed or audited by the auditor.

The comparative data was presented in accordance with the requirements of IAS 34 "Interim Financial Reporting", which was approved by the European Union.

2. BODIES OF THE PARENT ENTITY

2.1. MANAGEMENT BOARD OF THE PARENT ENTITY

As at 30 June 2020 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,
Przemysław Ciaś – Member of the Management Board,
Noel Collett – Member of the Management Board.

<i>Condensed interim consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

2.2. SUPERVISORY BOARD OF THE PARENT ENTITY

As at 30 June 2020 the Parent Entity's Supervisory Board consisted of the following members:

Hans Joachim Körber – President of the Supervisory Board,
Francisco José Valente Hipólito dos Santos – Member of the Supervisory Board,
Jorge Mora – Member of the Supervisory Board,
Renato Arie – Member of the Supervisory Board,
Ewald Raben – Member of the Supervisory Board.

2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

According to the resolution of 18 December 2019, Noel Collett was appointed as a Member of the Management Board with effect on 1 January 2020.

There were no changes in the Supervisory Board till balanced sheet date.

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01.01. TO 30.06.2020

	Nota	Non audited 2nd Quarter for the period from 01.04.2020 to 30.06.2020	Non audited 2 Quarters for the period from 01.01.2020 to 30.06.2020	Non audited 2nd Quarter for the period from 01.04.2019 to 30.06.2019	Non audited 2 Quarters for the period from 01.01.2019 to 30.06.2019
Sales	4	6 196 270 450	12 115 371 122	6 438 231 886	11 921 168 524
Sales of goods		6 178 546 310	12 065 355 237	6 408 288 339	11 859 585 501
Sales of services		15 212 146	45 381 177	28 265 920	58 577 214
Sales of materials		2 511 994	4 634 709	1 677 627	3 005 809
Costs of sales		(5 353 761 569)	(10 485 241 959)	(5 594 135 150)	(10 371 032 752)
Costs of goods sold		(5 351 356 057)	(10 480 869 204)	(5 592 600 594)	(10 368 201 666)
Costs of materials sold		(2 405 512)	(4 372 755)	(1 534 555)	(2 831 086)
Gross profit (loss)		842 508 881	1 630 129 163	844 096 737	1 550 135 772
Selling expenses		(674 458 762)	(1 371 072 686)	(662 595 644)	(1 286 036 635)
General and administrative expenses		(108 644 121)	(207 885 290)	(105 806 519)	(200 314 546)
Profit (loss) on sales		59 405 998	51 171 187	75 694 574	63 784 591
Other operating income		14 998 692	31 495 432	10 014 120	29 637 894
Other operating expenses		(2 222 197)	(20 893 712)	(4 298 344)	(21 706 172)
Operating profit (loss)		72 182 493	61 772 907	81 410 349	71 716 313
Financial income		6 852 129	16 206 847	13 560 835	20 941 793
Financial costs	4	(26 304 314)	(89 918 931)	(37 222 436)	(71 840 178)
Share in profits (losses) of equity accounted investees		1 104 094	218 278	(1 394 619)	(1 921 157)
Profit (loss) before tax		53 834 403	(11 720 898)	56 354 130	18 896 771
Income tax expense	4	(11 992 897)	(8 441 516)	(9 456 965)	(12 163 337)
Profit (loss) for the period		41 841 506	(20 162 415)	46 897 165	6 733 434
Attributable to:					
Owners of the Company		41 140 587	(19 506 048)	47 391 335	6 528 186
Non-controlling interests		700 919	(656 367)	(494 171)	205 248
EARNINGS PER SHARE					
		PLN / share		PLN / share	
Profit (loss) attributable to Owners of the Company		(19 506 048)		6 528 186	
Weighted average number of shares		139 163 286		139 163 286	
Weighted average diluted number of shares		139 163 286		139 163 286	
Earnings per share					
- basic		(0,14)		0,05	
- diluted		(0,14)		0,05	

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM
01.01. TO 30.06.2020**

	Non audited 2nd Quarter for the period from 01.04.2020 to 30.06.2020	Non audited 2 Quarters for the period from 01.01.2020 to 30.06.2020	Non audited 2nd Quarter for the period from 01.04.2019 to 30.06.2019	Non audited 2 Quarters for the period from 01.01.2019 to 30.06.2019
Profit (loss) for the period	41 841 506	(20 162 415)	46 897 165	6 733 434
Other comprehensive income for the period	(3 862 326)	(21 095 457)	250 890	1 660 798
Items that may be subsequently reclassified to profit or loss:				
- The result on hedge accounting with the tax effect:	(3 862 326)	(21 095 457)	250 890	1 660 798
Total comprehensive income for the period	37 979 180	(41 257 872)	47 148 055	8 394 231
Total Income				
Owners of the Company	37 278 261	(40 601 505)	47 642 225	8 188 983
Non-controlling interests	700 919	(656 367)	(494 171)	205 248
Total comprehensive income for the period	37 979 180	(41 257 872)	47 148 055	8 394 231

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30.06.2020

	Nota	Non audited as at 30.06.2020	as at 31.12.2019
<i>Assets</i>			
Non-current assets		5 055 002 523	4 912 607 709
Goodwill	2	2 016 124 909	1 850 000 695
Intangible assets		332 458 778	323 905 814
Property, plant and equipment		752 149 685	766 197 929
Right of use assets		1 786 688 550	1 801 034 427
Investment property		933 559	941 407
Investments in equity accounted investees	4	12 758 462	24 619 456
Other long-term investments		474 090	7 064 491
Long-term receivables		7 259 777	14 324 673
Deferred tax assets		142 822 327	122 904 027
Other long-term prepayments		3 332 387	1 614 790
Current assets		3 197 542 098	2 972 399 256
Inventories	4	1 348 122 752	1 271 273 085
Trade receivables	4	1 444 898 685	1 404 893 545
Current tax receivables		25 603 671	808 002
Other short-term receivables		137 359 285	111 963 366
Other short-term financial assets		661 965	2 933 505
Short-term prepayments		38 675 594	33 857 892
Cash and cash equivalents		202 220 146	146 669 860
Total assets		8 252 544 621	7 885 006 965

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30.06.2020

	Non audited as at 30.06.2020	as at 31.12.2019
<i>Equity and liabilities</i>		
Equity	914 552 163	963 399 217
Equity attributable to Owners of the Company	853 453 648	896 981 814
Share capital	139 163 286	139 163 286
Reserve capital	598 543 966	596 712 165
Valuation equity of hedging transactions	(26 423 145)	(5 327 688)
Option for purchase/selling the shares	(48 428 305)	(69 761 777)
Retained earnings	190 597 846	236 195 828
Accumulated profit / loss from previous years	210 103 894	166 333 791
Profit (loss) for the period	(19 506 048)	69 862 037
Non-controlling interests	61 098 515	66 417 403
Liabilities	7 337 992 459	6 921 607 748
Non-current liabilities	1 806 283 893	1 560 356 149
Long-term loans and borrowings	213 850 000	-
Other long-term financial liabilities	9 936 487	70 671
Long-term lease liabilities	1 546 627 129	1 527 021 294
Other long-term liabilities	2 835 410	4 132 977
Deferred tax liabilities	22 025 684	19 806 994
Employee benefits	9 213 585	7 344 214
Provisions	1 795 598	1 980 000
Current liabilities	5 531 708 565	5 361 251 600
Loans and borrowings	730 778 932	648 790 562
Other short-term financial liabilities	38 074 653	21 098 739
Short-term lease liabilities	297 048 976	297 625 204
Trade payables	3 921 708 681	3 794 789 276
Current tax liabilities	8 533 743	49 233 587
Other short-term payables	160 810 318	191 296 725
Current employee benefits	178 878 337	147 720 291
Provisions	195 874 925	210 697 215
Total equity and liabilities	8 252 544 621	7 885 006 965

BOOK VALUE PER SHARE

	Non audited as at 30.06.2020	as at 31.12.2019
Equity attributable to Owners of the Company	853 453 648	896 981 814
Number of shares	139 163 286	139 163 286
Diluted number of shares	141 963 286	141 963 286
Book value per share	6,13	6,45
Diluted book value per share	6,01	6,32

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01. TO 30.06.2020

	Non audited 2 Quarters for the period from 01.01.2020 to 30.06.2020	Non audited 2 Quarters for the period from 01.01.2019 to 30.06.2019
<i>Cash flow from operating activities</i>		
Profit (loss) before tax	(11 720 898)	18 896 771
Adjustments for:	355 662 465	340 823 723
Depreciation and amortization	274 856 260	265 806 984
Share in profits (losses) of equity accounted investees	(218 278)	1 921 157
Valuation of motivational programm	1 831 800	2 940 000
Gain (loss) on sale of property, plant and equipment	(2 244 855)	14 098 708
Profit (loss) on exchange rates	18 663 702	(4 558 546)
Dividends received	-	(708 278)
Interest expenses	65 586 299	64 904 767
Interest received	(2 812 463)	(3 581 069)
Operating cash before changes in working capital	343 941 566	359 720 493
Changes in inventory	(82 204 818)	(83 666 574)
Changes in receivables	(51 725 854)	(246 577 499)
Changes in payables	114 846 691	331 576 321
Changes in provisions and employee benefits	16 879 470	4 023 299
Other adjustments	(1 733 494)	(770 801)
Operating cash	340 003 562	364 305 240
Interest received	1 985 413	1 894 721
Interest paid	(31 743 332)	(36 186 849)
Income tax paid	(89 627 259)	(69 649 419)
Net cash from operating activities	220 618 383	260 363 692
<i>Cash flow from investing activities</i>		
Aquisition of intangible assets	(32 014 114)	(22 110 335)
Proceeds from sale of intangible assets, property, plant and equipment	1 725	655 071
Aquisition of property, plant and equipment tangible fixed assets	(75 707 962)	(85 351 429)
Proceeds from sale of property, plant and equipment	9 053 765	7 741 186
Income/expenses on other short-term financial assets	780 880	(7 493 695)
Aquisition of subsidiaries, net of cash aquired *	(128 746 317)	(72 890 923)
Loans granted	(64 682)	(2 726 132)
Interest received	818 259	1 698 945
Net cash used in investing activities	(225 878 445)	(179 769 035)
<i>Cash flow from financing activities</i>		
Income/expenses for other financial liabilities	861 231	(1 673 877)
Expense due to the purchase of minority shares *	(24 769 895)	-
Proceeds from loans and borrowings	522 750 000	303 701 035
Repayment of borrowings	(240 536 643)	(50 276 267)
Expenses for liabilities from leasing	(151 869 113)	(144 599 658)
Other interests	(36 106 091)	(35 476 171)
Interests on loans and borrowings	(9 519 142)	(7 922 236)
Dividends paid	-	(143 380 084)
Net cash used in financing activities	60 810 348	(79 627 257)
Net change in cash and cash equivalents	55 550 286	967 400
Cash and cash equivalents at the beginning of the period	146 669 860	196 558 852
Cash and cash equivalents at the end of the period	202 220 146	197 526 252

* Note 2

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 01.01. TO 30.06.2020

	Share capital	Reserve capital	Option for purchase/selling the shares	Hedge reserve	Retained earnings	Equity attributable to Owners of the Company	Non-controlling interests	Total
<i>Changes in equity in the period from 01.01 to 30.06.2019 - non audited</i>								
Balance as at 01.01.2019 after changes	139 163 286	594 118 608	(57 363 613)	(7 638 430)	306 758 023	975 037 874	61 370 645	1 036 408 518
Owners of the Company	-	-	-	-	6 528 186	6 528 186	-	6 528 186
Non-controlling interests	-	-	-	-	-	-	205 248	205 248
Net profit presented directly in equity	-	-	-	1 660 798	-	1 660 798	-	1 660 798
Total comprehensive income for the period from 01.01. to 30.06.2019	-	-	-	1 660 798	6 528 186	8 188 983	205 248	8 394 231
Dividends paid	-	-	-	-	(139 163 286)	(139 163 286)	(4 216 798)	(143 380 084)
Valuation of motivational program for employees	-	2 940 000	-	-	-	2 940 000	-	2 940 000
Option for purchase/selling the shares	-	-	(749 693)	-	-	(749 693)	-	(749 693)
Other	-	(242 399)	-	-	(3 927 561)	(4 169 961)	-	(4 169 961)
Total contributions by and distributions to Owners of the Company	-	2 697 601	(749 693)	-	(143 090 847)	(141 142 939)	(4 216 798)	(145 359 737)
Balance as at 30.06.2019	139 163 286	596 816 209	(58 113 306)	(5 977 632)	170 195 361	842 083 917	57 359 095	899 443 014
<i>Changes in equity in the period from 01.01 to 30.06.2020 - non audited</i>								
Balance as at 01.01.2020	139 163 286	596 712 165	(69 761 777)	(5 327 688)	236 195 828	896 981 814	66 417 403	963 399 217
Owners of the Company	-	-	-	-	(19 506 048)	(19 506 048)	-	(19 506 048)
Non-controlling interests	-	-	-	-	-	-	(656 367)	(656 367)
Other comprehensive income	-	-	-	(21 095 457)	-	(21 095 457)	-	(21 095 457)
Total comprehensive income for the period from 01.01. to 30.06.2020	-	-	-	(21 095 457)	(19 506 048)	(40 601 505)	(656 367)	(41 257 872)
Dividends declared	-	-	-	-	(985 446)	(985 446)	-	(985 446)
Equity-settled share-based payment transactions	-	1 831 800	-	-	-	1 831 800	-	1 831 800
Option for purchase/selling the shares	-	-	(3 436 422)	-	-	(3 436 422)	-	(3 436 422)
settlement of share purchase and sale transactions *	-	-	24 769 894	-	(20 107 373)	4 662 521	(4 662 521)	-
Other	-	-	-	-	(4 999 115)	(4 999 115)	-	(4 999 115)
Total contributions by and distributions to Owners of the Company	-	1 831 801	21 333 472	-	(26 091 934)	(2 926 662)	(4 662 521)	(7 589 183)
Balance as at 30.06.2020	139 163 286	598 543 965	(48 428 305)	(26 423 145)	190 597 847	853 453 647	61 098 515	914 552 163

* Note 2

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SUPPLEMENTARY INFORMATION TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2020 TO 30.06.2020

1. GENERAL INFORMATION

1.1. ISSUE OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

According to the resolution of the Management Board dated 24 August 2020, the consolidated financial statements of Eurocash Group for the period from 1 January 2020 to 30 June 2020 were authorized for publication.

According to the information included in the report no. 1/2020 dated 10 January 2020 sent to the Polish Financial Supervision Authority, Eurocash S.A. issues its interim consolidated financial statements on 25 August 2020.

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

1.2. STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements of Eurocash S.A. Group have been prepared in accordance with IAS 34 - Interim Financial Reporting, approved by European Union.

These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Eurocash S.A. Group as at and for the year ended 31 December 2019, which is available on the website www.grupaeurocash.pl.

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

The accounting principles applied to the preparation of the interim condensed interim consolidated financial statements are consistent with those applied to the preparation of the annual condensed separate financial statements of the Group for the year ended 31 December 2019, except for the application of new or amended standards and interpretations applicable to annual periods beginning on or after 01 January 2020.

The changed standards and interpretations that are applied for the first time in 2020, do not have a significant impact on the interim condensed consolidated financial statements of the Group.

a) Amendments to IFRS 3: Definition of a Business

Amendments to IFRS 3 specify that in order to be considered a business, an integrated set of activities and assets must include at least one input and one significant process, which together significantly contribute to the ability to create a product. These changes also make it clear that a business can exist without all the inputs and processes necessary to produce the outputs.

b) Amendments to IFRS 7, IFRS 9 and IAS 39: Reform of interest rate benchmarks

Amendments to IFRS 9 and IAS 39 introduce a number of exceptions to all hedging relationships directly affected by the IBOR reform. The IBOR reform affects a hedging relationship if it creates uncertainty about the timing and / or amount of the cash flows based on an interest rate benchmark arising from a hedged item or an interest rate benchmark hedging instrument.

c) Amendments to IAS 1 and IAS 8: Definition of "material"

Amendments to IAS 1 and IAS 8 introduce a new definition of the concept of "material", which states that "information is material if it can reasonably be expected that its omission, misstatement or non-transparency may affect decisions made by key users of general

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purpose financial statements. on the basis of that report that includes financial information relating to a specific reporting entity. ' The amendments clarify that materiality will depend on the nature or size of the information, individually or in combination with other information, in the context of the financial statements as a whole.

d) Conceptual framework for financial reporting as of 29 March 2018

The conceptual framework does not constitute a separate standard and none of the terms presented therein supersedes or overrides the terms set forth in any standard or the requirements of any standard. The purpose of the Framework is to assist the IASB in developing standards, to assist preparers in developing consistent accounting policies where there is no relevant standard, and to assist all parties to financial reporting in understanding and applying the standards. The updated conceptual framework includes some new concepts, updates the definitions and criteria for recognizing assets and liabilities, and refines some important concepts.

e) IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard– not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016;

f) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) – the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;

g) IFRS 17 Insurance Contracts (issued on 18 May 2017) including Amendments to IFRS 17 (issued on 25 June 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2023;

h) Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2023;

i) Amendments to IFRS 3: Reference to the Conceptual Framework (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2022;

j) Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2022;

k) Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2022;

l) Annual Improvements to IFRS Standards 2018–2020 (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2022;

m) Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions (issued on 28 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020;

n) Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2021.

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The effective dates are dates provided by the International Accounting Standards Board. Effective dates in the European Union may differ from the effective dates provided in standards and are published when the standards are endorsed by the European Union.

The Group has not decided to early apply any standard, interpretation or amendment that has been published but has not yet become effective under the European Union regulations.

1.4. PRESENTATION CURRENCY, ROUNDINGS

These consolidated interim 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

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

The estimates and related assumptions are reviewed on an ongoing basis. A change in accounting estimates is recognized in the period in which the estimate was changed or in the current and future periods if the change in the estimate applies to both the current and future periods.

The analysis of for impairment and the performance of tests requires judgment. In this context, in particular, the feasibility of budgets and the impact of the Covid-19 pandemic on the Group's operations were analyzed. As a consequence of these premises, the Group prepared impairment tests for goodwill and other assets. This required an estimation of the value in use of the cash-generating unit to which the goodwill and trademarks are allocated. Estimating the value in use consists in determining the future cash flows generated by the cash-generating unit and requires determining the discount rate to be applied in order to calculate the present value of these flows. The assumptions adopted for that purpose are specified in Note 1.

In the current period, estimates of expected credit losses ("ECL") were updated. The level of losses was influenced by the current situation related to the Covid-19 pandemic. Details are included in Note 4.

The Group identifies control over the entities in which it holds fifty or fewer percent of shares based on the analysis performed in accordance with IFRS 10 and on the basis investment agreements.

The Group uses many financial instruments, including contracts for financing the supply chain (reverse factoring) in relation to its trade liabilities. Taking into account the potential impact of this type of agreements on the cash flow statement and the statement of financial position, the Group analyzes the content of such agreements on a case-by-case basis. In particular, the Management Board assesses whether the supplier financing program does not incur significant costs related to this program or significant changes in payment dates and future cash flows. In the case of significant modifications of terms of repayment of trade

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liabilities, the Group makes appropriate changes to the classification and recognizes liabilities covered by factoring as separate debt financing.

In accordance with the Management Board's judgment, restrictions on the disposal of cash in VAT accounts resulting from tax regulations regarding the split payment mechanism do not affect their classification as cash and cash equivalents, as the Group uses them on an ongoing basis to settle short-term liabilities.

The Group determines the depreciation rates based on the assessment of the expected useful life of the components of tangible fixed assets and intangible assets, and performs their periodic verification.

Determining the amount of the provision for litigation requires a judgment as to whether the Group is required to provide benefits. In assessing whether it is more likely than not that an outflow of economic benefits will occur, the Group used the professional judgment of tax advisers.

1.6. COMPARABILITY OF FINANCIAL STATEMENTS

Accounting principles as well as calculation methods applied in the preparation of these condensed interim consolidated financial statements remained unchanged in comparison to the ones applied in the last annual consolidated financial statements for the financial year ended 31st December 2019, excluding the application of new or amended standards and interpretations applicable to annual periods beginning on 1 January 2020 and later.

1.7. INFORMATION ABOUT THE PARENT ENTITY AND THE CAPITAL GROUP

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

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

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

Eurocash Group comprises Eurocash S.A. and subsidiaries.

On 02.03.2020, there was a merger of company Delikatesy Centrum Sp. z o.o. (acquiring company) with Delikatesy Centrum Sklepy Sp. z o.o. (company being acquired).

On 20.03.2020, Delikatesy Centrum Podlasie Sp. z o.o. changed its name into Platforma Innowacji Handlu Sp. z o.o.

On 9 June 2020, the remaining 50% of shares in FHC2 Sp. z o.o. and Madas Sp. z o.o. were purchased.

On 25 June 2020, the remaining 55.97% of shares in Frisco S.A. were purchased.

1.8. GOING CONCERN ASSUMPTION

These financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. When assessing the Group's ability to continue as a going concern, the Management Board takes into account, as a danger, the existing and anticipated effects of the COVID-19 pandemic on the entity's operations. The Management Board analyzed the possible impact of the indicated situation on the Group's financial results. On the basis of the analysis performed, the Management Board did not identify any important uncertainty to the Group's operations in the future.

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As at 16 June 2020 the Company concluded the 3-years loan agreement with the limit in the amount of PLN 600 mln. At the same time the Management Board decided about the utilization of this loan in July 2020 on refinancing the loan agreement ending in September 2020, thereby changing it from short-term to long-term. Nevertheless as at 30 June 2020 there was a surplus of current liabilities of the Group over its current assets in the amount of PLN 2,33 billion, which, in connection with the above-mentioned fact of concluding a new one long-term loan agreement, in fact would be PLN 1,73 billion in the case of refinancing on this date. At the same time as at 30 June 2020 there was a surplus of current liabilities of the Group over its current assets (trade receivables and inventories) in the amount of PLN 1,13 billion, which, in the opinion of Management Board, is typical for the industry in which the Group operates, in which a significant part of sales is made on cash terms, inventory is minimized, and suppliers provide deferred payment terms, however the Group uses also reverse factoring instruments. At the same time, the Capital Group is developing the retail network by employing its own resources and those coming from external financing sources. The financial plans for 2020 and subsequent years, as detailed below, prepared by the Management Board, indicate that the Group companies maintain liquidity and provide ongoing servicing of liabilities. Suspension conditions related to loan agreements are monitored on an ongoing basis, as at the balance sheet date, 30 June 2020, the terms of loan agreements were not broken. In addition, as at the balance sheet date, 30 June 2020, the Group also has unused credit limits in the amount of PLN 264 million.

The Company also analyzed the timely payment of its trade liabilities, details are provided in Note 4. The Group in planning to maintain the structure and the rotation of liabilities in subsequent reporting periods.

In connection with the situation of the SARS-CoV-2 coronavirus pandemic described in Note 10, which affects the entities within Eurocash Group, the Group monitors the situation on an ongoing basis and complies with the recommendations of the Chief Sanitary Inspector and other services in Poland. There are taken up special preventive measures on an ongoing basis and recommended to employees, minimizing the risk related to infection. As at the date of these financial statements, all areas of the Company's operating activities function efficiently.

Taking into account the circumstances indicated above, the Management Board of Eurocash Group analyzed the possible impact of the indicated situation on the financial results and cash flows of the Group in the next 12 months. The prepared models indicate that at any time of 12-months period until 30 June 2021, the Group will have sufficient credit limits, wherein the highest utilization of this limits will occur at the turn of Q1 and Q2 2021. The most pessimistic scenario envisages that the total financial limit resulting from the available lines at this moment will exceed the financing demand by approximately PLN 50 mln. The planned financial limit in debt includes two loan agreements, where one of them – in amount of PLN 75 mln – results from the agreement accepted by bank, which is scheduled for this week, while the second – on amount of PLN 50 mln – is currently at an advanced stage of negotiations and its implementation is planned on September 2020. Both of the agreements are concluded on the basis of submitted applications for obtaining additional financing under the anti-crisis shield, with the security in the form of 80% of guarantee from Bank Gospodarstwa Krajowego. Within the credit limits the Group holds active loans in the bank account in financing banks, maintained in recent years and extended on an annual cycles, in amount of about PLN 350 mln being taken within 12 months from the extension day, in which there is planned the extension of the limits. In each adopted model, the Management

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Board assumes that all current overdraft credit limits will be extended for subsequent periods in unchanged amounts. In addition, on June 9, 2020, the Company concluded a loan agreement with the Europejski Bank Odbudowy i Rozwoju in Polish zlotys, in the amount of the equivalent of EUR 50 mln, valid until June 2025. The loan was released on June 29, 2020.

Based on the above-mentioned models, the Group monitors and prepares projections of meeting the financial ratios in accordance with the loan agreements (covenants). In each of the analyzed future reporting periods, up to the second quarter 2021, these ratios meet the level required by the banks financing the Group. The Company analyzed the sensitivity of the liquidity model to extraordinary events including scenarios of a worsening economic environment as a result of the development of a virus pandemic SARS-2, assuming the situation observed in the second quarter of 2020 (lockdown situation in the economy). In the basic scenario, the Group predicts that the rolling ratio „12-months EBITDA (without IFRS16)” cannot deviate from the budgeted value by more than 34% in Q1 2021. While this ratio cannot deviate more than 5% from the predicted value within the most pessimistic variant.

Based on the analysis, the Management Board concluded that the Group has sufficient sources of financing and that there is no significant uncertainty to the going concern.

2. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2020 TO 30.06.2020

NOTE 1.

ANALYSIS OF INDICATIONS OF POTENTIAL IMPAIRMENT OF ASSETS

In connection with the Covid-19 pandemic, the Company analyzed the indications of impairment of assets, including goodwill and intangible assets with an indefinite useful life. The reasons for the tests were identified by the lower realisation of the budgets of individual business departments in the second quarter of 2020 and the impact of the Covid-19 pandemic on the economic situation in Poland - the market where sales by Eurocash Group companies are taking place.

As at 30.06.2020, the Group prepared impairment tests in relation to individual assets with goodwill assigned to each segments in the financial statements and determined the recoverable amounts of cash generating centers to which these assets (including goodwill) are allocated.

The recoverable amount of individual centers was compared with the carrying amount defined as the sum of the assets (including working capital) of a cash generating unit, minus current liabilities that are part of working capital. For each impairment test, the recoverable amount was determined as the value of the tested cash generating unit based on financial projections for 2020-2025. To determine selected projection parameters, historical data for 2019 and prepared by the Management Board of Eurocash S.A. plans for 2020-2025 were used.

Retail segment

The tested goodwill assigned to the Retail segment was PLN 856 million. PLN (carrying amount of grouped assets: approx. PLN 2,181 million). The test result showed a surplus of the recoverable value over the book value of approx. PLN 480 million.

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The recoverable amount of the Retail segment assets was determined based on cash flow projections, which were built, among others under the following assumptions:

- model for determining the recoverable amount based on the existing infrastructure and sales network (value in use), including central distribution of goods and sales to own and franchise stores,
- a detailed forecast period of 5 years was adopted,
- the calculation of cash flow projections takes into account the recognition of lease contracts in accordance with IFRS 16,
- the cash flow forecast takes into account no deterioration of the epidemiological situation as compared to the situation as at the date of approval of these financial statements (i.e. no further "lockdown")
- capital expenditure in subsequent years has been agreed to approved investment budgets, including planned expenditures for remodeling stores,
- in the period covered by the detailed forecast, an average annual increase in sales revenues of 5.2% was adopted (in the residual period: 2,5%),
- in the detailed forecast horizon, the gross margin was assumed to be 0.3 pp lower. compared to the level achieved in 2019,
- the level of working capital was forecast based on historical inventory turnover ratios, trade receivables and trade payables.

The discount rate used in the cash flow is consistent with the weighted average cost of capital (WACC) calculated on the basis of the risk-free rate in accordance with the currency in which the financial projections are prepared. Other elements used in the calculation, such as the market risk premium, beta ratio and capital structure are based on market data adequate for the industry in which the Eurocash Group operates. '

A specific risk premium for the Eurocash Group was also adopted.

The weighted average cost of capital - WACC of 7.95% (2019: 8.03%) was used as the discount rate. The change in the adopted discount rate was caused, inter alia, by the forecasts are based on sales development and capital expenditure only for retail stores existing at the test date.

As a result of the analysis, it was confirmed that there was no need to make an impairment loss.

For the Retail segment, change of the discount rate by +/- 0.25 pp. would reduce / increase the recoverable value by about 85 million, while a change in gross margin by +/- 0.25 pp. - by about 270 million, respectively. Increase / decrease of the discount rate by 0.25 pp. as well as decrease / increase in margin by 0.25 pp. does not lead to impairment of the cash-generating unit to which goodwill is assigned. Change of the growth rate after the detailed forecast period by +/- 0.5 pp. would reduce / increase the recoverable amount by approximately PLN 130 million.

Reducing the gross margin in the forecast horizon by 0.5 pp, with the remaining parameters of the model unchanged, would equate the book value of the assets of the cash-generating unit with the recoverable amount. The same effect would have been an increase in the discount rate by 2 pp, as well as decrease in the growth rate in the period of the detailed forecast by approximately by 0,6 pp.

In case of the increase in the forecast horizon the gross margin by 0.5 pp. if the model parameters remained unchanged, it would increase the value of assets of the cash-generating unit over the recoverable value by another PLN 520 million.

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Wholesale segment

The tested goodwill of the Wholesale segment was PLN 1,113 million. The test result indicated a surplus of the recoverable amount over the book value.

Cash flow projections were built based on, among others the following assumptions:

- a detailed forecast period of 5 years was adopted,
- the calculation of cash flow projections takes into account the recognition of lease contracts in accordance with IFRS 16,
- capital expenditure in subsequent years has been agreed to approved investment budgets,
- in the period covered by the detailed analysis, an average annual increase in sales revenues of 5.5% was adopted,
- a gross margin increase of 0.4 pp was assumed in the detailed forecast horizon. and maintaining a constant level of operating margin,
- the level of working capital was forecast based on historical inventory turnover ratios, trade receivables and trade payables.

Weighted average cost of capital - WACC of 6.69% (2019: 6.69%) was used as the discount rate. As a result of the analysis, it was confirmed that there was no need to make an impairment loss.

The discount rate used in the cash flow is consistent with the weighted average cost of capital (WACC) calculated on the basis of the risk-free rate in accordance with the currency in which the financial projections are prepared. Other elements used in the calculation, such as market risk premium, beta ratio and capital structure are based on market data adequate for the described industry in which the Eurocash Group operates.

A growth rate of 2.5% was adopted for the residual period.

In the opinion of the Management Board, any rational change of the key parameter / assumption does not cause the risk of impairment of segment assets, including goodwill.

Projects

In the case of assets related to the Projects segment, the Group does not identify significant items of non-current assets, in particular goodwill or intangible assets. These projects are mainly carried out on the basis of the formula of renting commercial locations in which current operating activities are conducted. For the main items of assets of these companies, i.e. rights to use and current assets, on the basis of the analyzes performed, there was identified no need to make write-offs.

NOTE 2. ACQUISITION OF SHARES IN A SUBSIDIARIES

1. Acquisition of the remaining 50% of shares in FHC2 Sp. z o.o. and Madas Sp. z o.o.

According to the put option, as a result of submitting a declaration on the exercise of the option, Eurocash S.A. and a given partner a conditional share purchase agreement for shares covered by the put option.

Transfer of shares covered by the put option to Eurocash S.A. took place on 9 June 2020.

Eurocash S.A. acquired 50% of shares in each of the companies, therefore, as at balance sheet date, the Group possess 100% of shares in each company.

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The purchase price amounted to total PLN 24,769,894.55 and it is its final value. The settlement of the transaction is presented in equity.

2. Acquisition of the remaining 55,97% of shares in Frisco S.A.

General information

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION

1. Name of acquired company	Frisco S.A.
2. Acquisition date	25.06.2020
3. Acquisition cost	176 939 369

Settlement of business acquisition

Due to the short period between the acquisition of the Company and the preparation of these condensed consolidated interim financial statements, these condensed consolidated interim financial statements present an initial settlement of the acquisition price of Frisco shares. The Group is in the process of identification and measurement of assets acquired and liabilities assumed.

In the initial settlement of the purchase price, the net assets have been adopted due to the book value (corrected by the adjustments to the Eurocash Group policy); the purchase cost is the final price.

At the moment of the provisional settlement of the purchase price, the fair value of the existing Frisco 44.03% of shares, has not been measured.

The acquisition took place on market conditions.

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NET ASSETS ACQUIRED	Settlement of the acquisition as at 25.06.2020
<i>Assets</i>	
Non-current assets (long-term)	67 354 797
Intangible assets	4 215 037
Tangible fixed assets	2 931 365
Right of use assets	59 885 739
Long-term receivables	310 013
Deferred income tax assets	12 642
Current assets (short-term)	21 502 453
Inventory	4 838 803
Trade receivables	5 521 330
Current income tax receivables	64 573
Other short-term receivables	4 299 067
Other short-term financial assets	351 681
Short-term prepayments	3 001 040
Cash and cash equivalents	3 425 960
Total assets	88 857 250
<i>Equity nad liabilities</i>	
Liabilities	104 165 009
Non-current liabilities	48 677 037
Long-term lease liabilities	47 827 441
Employee benefits	703 998
Other long-term provision	145 598
Current liabilities	55 487 972
Short-term loans and credits	15 920 390
Short-term lease liabilities	12 223 542
Trade liabilities	16 019 808
Other short-term liabilities	3 520 816
Current employee benefits	894 984
Other short-term provisions	6 908 431
Total liabilities	104 165 009
Net assets	(15 307 759)
Net assets acquired (100%)	(15 307 759)
Share in losses of Frisco S.A. during the consolidation period using the equity method	(26 122 913)
Goodwill on acquisition	166 124 214
Acquisition cost	176 939 369

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Frisco.pl is one of the leaders of the Polish e-grocery market. Thanks to the acquisition of the remaining 55.97% of shares in Frisco S.A., the Eurocash Group will gain knowledge and experience in online sales, which will allow further development of this area for customers, owners of independent retail stores. This investment is another element in the implementation of the strategy of supporting independent trade in Poland.

3. Acquisition of 100% of shares in Partner Sp. z o.o.

On 1 March 2019 Eurocash finalised a transaction to acquire a 100% of shares in Partner, which operates 25 Lewiatan franchise stores.

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS

1. Name of acquired company	Partner Sp. z o.o.
2. Acquisition date	01.03.2019
3. Acquisition cost	73 119 019

Settlement of business acquisition

These condensed consolidated interim financial statements present a initial settlement of the acquisition price of Partner shares.

In the settlement of the purchase price, the net assets have been adopted due to the fair value. The purchase cost is the final price.

The acquisition took place market conditions.

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NET ASSETS ACQUIRED	Settlement of the acquisition as at 01.03.2019
<i>Assets</i>	
Non-current assets (long-term)	32 300 394
Intangible assets	3 126
Tangible fixed assets	5 452 316
Assets due to the right of use (IFRS 16)	26 608 560
Deferred income tax assets	236 393
Current assets (short-term)	16 906 427
Inventory	10 662 480
Trade receivables	3 018 301
Other short-term receivables	81 400
Other short-term financial assets	995 272
Short-term prepayments	370 877
Cash and cash equivalents	1 778 096
Total assets	49 206 821
<i>Equity nad liabilities</i>	
Liabilities	40 311 052
Non-current liabilities	24 880 216
Long-term finance lease liabilities (MSSF16)	23 628 835
Employee benefits	1 251 382
Current liabilities	15 430 836
Short-term finance lease liabilities (MSSF16)	2 979 725
Trade liabilities	9 745 821
Current income tax liabilities	96 013
Other short-term liabilities	1 265 114
Current employee benefits	1 344 163
Total liabilities	40 311 052
Net assets	8 895 769
Net assets acquired (100 %)	8 895 769
Goodwill on acquisition	64 223 250
Acquisition cost	73 119 019

The resulting goodwill is mainly due to the fact that thanks to the acquisition of Partner Sp. z o.o. (Lewiatan stores), Eurocash S.A. Group expanded its distribution channels for food and chemical-cosmetic products.

Goodwill in the amount of PLN 64,223,250 consists of the expected synergy effect resulting from the acquisition.

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4. Acquisition of 100% of shares in Podlaskie Delikatesy Centrum Sp. z o.o. (earlier MD Projekt Sp. z o.o.)

On 20 August 2019 Eurocash Group finalised a transaction to acquire a 75% shares in MD Projekt Sp. z o.o. and on 12 December 2019 took place the acquisition of remaining 25% shares.

On 11 September 2019 MD Projekt Sp. z o.o. changed its name into Podlaskie Delikatesy Centrum Sp. z o.o.

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS

1. Name of acquired company	MD Projekt Sp. z o.o.
2. Acquisition date	20.08.2019
3. Acquisition cost	4 353 306

Settlement of business acquisition

These condensed consolidated interim financial statements present a initial settlement of the acquisition price of Podlaskie Delikatesy Centrum Sp. z o.o. (earlier MD Projekt Sp. z o.o.) shares.

In the settlement of the purchase price, the net assets have been adopted due to the fair value. The purchase cost is the final price.

The acquisition took place on market conditions.

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NET ASSETS ACQUIRED	Settlement of the acquisition as at 12.12.2019
Assets	
Non-current assets (long-term)	5 830 097
Tangible fixed assets	257 360
Right of use assets	5 546 703
Other long-term financial assets	26 034
Current assets (short-term)	3 373 359
Inventory	1 826 062
Trade receivables	179 713
Other short-term receivables	45 239
Short-term prepayments	39 874
Cash and cash equivalents	1 282 470
Total assets	9 203 456
Equity nad liabilities	
Liabilities	8 216 087
Non-current liabilities	5 307 375
Long-term lease liabilities	5 307 375
Current liabilities	2 908 712
Trade liabilities	1 935 977
Current income tax liabilities	239 328
Other short-term liabilities	439 866
Current employee benefits	274 617
Other short-term provisions	18 923
Total liabilities	8 216 087
Net assets	987 369
Net assets acquired	987 369
Goodwill on acquisition	3 365 937
Acquisition cost	4 353 306

The resulting goodwill is mainly due to the fact that thanks to the acquisition of Podlaskie Delikatesy Centrum Sp. z o.o. (MD Projekt Sp. z o.o.) Eurocash S.A. Group expanded its distribution channels for food and chemical-cosmetic products. The goodwill in the amount of PLN 3,365,937 consists of the expected synergy resulting from the acquisition.

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NOTE 3. OPERATING SEGMENTS

The Group presents the following segments, which correctly show the diverse of the activity:

- **Wholesale** - The segment includes wholesale operations carried out by the following distribution formats and companies: Eurocash Cash & Carry, Eurocash Alkohole, Eurocash Serwis Sp. z o.o., Eurocash Trade 1 Sp. z o.o., EC VC7 Sp. z o.o. and Polska Dystrybucja Alkoholi Sp. z o.o. as well as sales transacted by those distribution formats whose clients have long-term agreements with Eurocash Group, e.g. franchise systems or clients from the HoReCa segment, as well as operations of such a franchise systems as: Lewiatan, Groszek and Euro Sklep. The segment involves the operations of the following companies: Eurocash S.A., Groszek Sp. z o.o., Euro Sklep S.A., Lewiatan Śląsk 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. Moreover, this segment includes sales transacted by the Eurocash Gastronomia format, as well as sales realized by Eurocash Dystrybucja under entity Eurocash S.A. and sales realized by Cerville Investments Sp. z o.o., DEF Sp. z o.o. and Ambra Sp. z o.o., 4vapers Sp. z o.o.
- **Retail** - retail sale of Eurocash Group companies within the following entities: Inmedio Sp. z o.o., Firma Rogala Sp. z o.o., FHC-2 Sp. z o.o., Madas Sp. z o.o., EKO Holding S.A. w likwidacji, Investpol 700 Koja-Invest sp. z o.o. sp.j., and Mila Holding S.A., Domelius Limited, Koja-Invest Sp. z o.o., Partner Sp. z o.o., Platforma Innowacji Handlu Sp. z o.o., Podlaskie Delikatesy Centrum Sp. z o.o., Delikatesy Centrum Sp. z o.o., as well as mark Delikatesy Centrum, as well as developed by Eurocash S.A. e.g. project of distribution of fresh products.
- **Projects** – this operating segment comprises the Group's new projects and retail formats in their initial phase of development, operating as the following entities: Eurocash Convenience Sp. z o.o., Kontigo Sp. z o.o, ABC na kołach Sp. z o.o., Duży Ben Sp. z o.o., Sushi 2 Go Sp. z o.o.
- **Other** – sales realized by Eurocash Trade 2 Sp. z o.o., Eurocash VC3 Sp. z o.o. Detal Finanse Sp. z o.o., Akademia Umiejętności Eurocash Sp. z o.o. and the Group's general and administrative expenses not allocated to any operating segment.

There are varying levels of relationships between the segments in the Group. These relationships include mutual sales of merchandise, provision of marketing services, logistics, administrative support, and other services. The accounting policies of each specific reporting segment are the same as the policies of the whole Group.

Eurocash Group operates only in the territory of Poland which, considering the economic conditions and business risks, can be treated as a uniform territory.

In the FMCG retail and wholesale sector, sales in the first quarter of the year are traditionally lower than in the remaining quarters. Highest sales are generated in the summer season, to flatline in Q4.

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Basic information about each reportable segment is shown below.

REVENUES AND PROFITS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2020 TO 30 JUNE 2020

	Wholesale	Retail	Projects	Other	Exclusions	Total
Sales	9 847 242 349	4 167 010 928	84 614 071	3 235 337	(1 986 731 563)	12 115 371 122
External sales of goods	9 019 444 448	2 963 403 427	82 507 362	-	-	12 065 355 237
Other external sales	20 897 107	28 683 702	393 011	42 065	-	50 015 885
Inter-segmental sales	806 900 794	1 174 923 799	1 713 698	3 193 272	(1 986 731 563)	-
Operating profit (loss)	153 245 927	10 524 904	(33 405 815)	(68 592 109)	-	61 772 907
Finance income						16 206 847
Finance costs						(89 918 931)
Share in losses of companies consolidated with the equity method						218 278
Profit (loss) before income tax						(11 720 898)
Income tax						(8 441 516)
Net profit (loss)						(20 162 415)

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REVENUES AND PROFITS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2019 TO 30 JUNE 2019

	Wholesale	Retail	Projects	Other	Exclusions	Total
Sales	9 798 295 547	3 437 213 866	40 797 136	2 858 085	(1 357 996 111)	11 921 168 524
External sales of goods	8 994 662 818	2 825 919 217	39 003 466	-	-	11 859 585 501
Other external sales	22 174 559	38 533 288	734 946	140 230	-	61 583 023
Inter-segmental sales	781 458 170	572 761 362	1 058 724	2 717 855	(1 357 996 111)	-
Operating profit	139 445 156	13 959 289	(24 665 027)	(57 023 105)	-	71 716 313
Finance income						20 941 793
Finance costs						(71 840 178)
Share in losses of companies consolidated with the equity method						(1 921 157)
Profit before income tax						18 896 771
Income tax						(12 163 337)
Net profit (loss)						6 733 434

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NOTE 4. EXPLANATIONS TO CONSOLIDATED INCOME STATEMENT

Sales revenue

The sale of goods is homogeneous.

In terms of sales of services, the main items are revenues from services for the operation of the franchise network, franchise fees and the provision of logistics services.

Financial costs

The increase in financial costs in the first half of 2020 in comparison to the first half of 2019 was mainly due to valuation of liabilities in foreign currencies in relation to the application of IFRS 16 (the impact of IFRS 16 on consolidated financial costs in the first half of 2020 was PLN 18.6 m).

Income tax

The table below presents the factors affecting the current tax rate of the Group.

	for the period from 01.04.2020 to 30.06.2020	for the period from 01.01.2020 to 30.06.2020	for the period from 01.04.2019 to 30.06.2019	for the period from 01.01.2019 to 30.06.2019
Profit (loss) before tax	53 834 403	(11 720 898)	56 354 130	18 896 771
Income tax expense	(11 992 897)	(8 441 516)	(9 456 965)	(12 163 337)
Profit (loss) for the period	41 841 506	(20 162 415)	46 897 164	6 733 434
% tax rate (effective)	-22,3%	72,0%	-16,8%	-64,4%
Differences:				
Fixed costs not constituting tax deductible costs	-3 304 497	-7 415 500	-4 294 023	-6 461 911
Impact of tax loss assets	1 639 497	-3 071 577	5 765 447	-1 887 114
Other	-74 089	-163 902	-281 333	-215 696
Profit (loss) before tax	53 834 403	(11 720 898)	56 354 130	18 896 771
Income tax expense	(10 253 808)	2 209 462	(10 647 056)	(3 598 615)
Profit (loss) for the period	43 580 595	(9 511 436)	45 707 074	15 298 156
% tax rate (effective)	-19%	-19%	-19%	-19%

Intangible assets and tangible fixed assets

Expenses for the purchase of intangible assets and tangible fixed assets are recognized in cash flows under expenses and inflows for intangible assets and tangible assets

In the reporting period, the Company did not incur losses due to impairment of financial assets, tangible fixed assets, intangible assets or other assets.

Investments in subsidiaries and associates

In June 2020, the Company purchased the remaining shares in Frisco S.A. From that period, investments were reclassified from associates accounted for using the equity method to investments in subsidiaries.

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INVESTMENTS IN ASSOCIATES AS AT 30.06.2020

	as at 30.06.2020	as at 31.12.2019
Opening balance	24 619 456	27 533 591
Increase in reporting period, due to:	6 628 000	2 206 268
acquisition of shares in associates	6 628 000	2 206 269
Decrease in reporting period, due to:	(18 488 994)	(5 120 404)
acquisition of remaining shares in the associate	(18 707 273)	-
Interest in losses	218 278	(5 120 404)
Closing balance	12 758 462	24 619 456

Inventories

The value of inventories as at 30 June 2020 is comparable to their state as at 31 December 2019. The values concerning the write-off for inventories are presented below.

WRITE-OFF OF INVENTORIES IN THE PERIOD FROM 01.01 TO 30.06.2020

	for the period from 01.01.2020 to 30.06.2020	for the period from 01.01.2019 to 31.12.2019
Opening balance	41 181 752	35 609 883
- increase *	9 794 578 **	5 571 869
- decrease *	-	-
Closing balance	50 976 330	41 181 752

* net value

** 8.754.261 PLN of this amount in 2019 presented as provisions

Trade receivables

The Group's credit risk in relation to receivables differs for individual groups of contractors with which the Group cooperates. The Group monitors the amount of overdue receivables on an ongoing basis and, in justified cases, makes legal claims.

The Group makes write-offs of receivables in proportion to the expected credit losses. The expected credit losses result directly from the risk of each client and are calculated on the basis of models taking into account, inter alia, payment history, type of business, geolocation, cooperation evaluation and financial data.

Court cases are covered by a 100% write-off. There were no significant court cases in the first half of the year.

The financial capacity of the Group's recipients in connection with Covid - 19 was further analyzed. As a result, the Company decided to create an additional provision in the amount of PLN 2.3 million.

Aging of trade receivables as at 30.06.2020.

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Aging of trade receivables as at 30.06.2020

	Trade receivables gross value as at 30.06.2020	Trade receivables gross value as at 31.12.2019
current	1 308 287 443	1 181 246 703
1-30 days	72 055 441	177 005 799
31-90 days	64 038 784	57 898 667
91-180 days	16 667 208	11 420 058
> 180 days	47 184 501	36 201 646
	1 508 233 376	1 463 772 873

Write-off of trade receivables as at 30.06.2020

	for the period from 01.01.2020 to 30.06.2020	for the period from 01.01.2019 to 31.12.2019
Opening balance	58 879 328	61 691 885
Increase *	4 455 363	-
Decrease *	-	(2 812 557)
Closing balance	63 334 691	58 879 328
* net value		

Valuation equity of hedging transactions

The Group uses hedging instruments for cash flow connected with interest-bearing liabilities. Future loans are also hedged. The instrument hedging the expert opinion against the interest risk is the interest Rate Swap transaction, within the Group exchanges of payable payments flow with a variable WIBOR 1M into payments with a fixed interest rate. The Company choose designated instruments as hedging instruments in the amount of the hedge and recognizes them in accordance with the hedge accounting regulations.

The change in the fair value of cash flow hedges recognized in equity is presented below:

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	6 months ended 30.06.2020	Year ended 31.12.2019
Opening balance	(842 825)	(4 196 065)
Effective part of the profit / loss on the hedging instrument	(26 043 774)	3 353 240
Amounts charged to the profit and loss account, including:	-	-
- interest expense adjustment	-	-
- hedge ineffectiveness adjustment	-	-
Closing balance	(26 886 599)	(842 825)
Deferred tax asset recognized in the revaluation reserve	5 108 454	160 137
Closing balance including deferred tax	(21 778 145)	(682 688)

Trade liabilities

Eurocash made the assessment of the liabilities covered by reverse factoring and based on this judgment classified liabilities under reverse factoring as a trade liabilities, as there were no significant changes in the nature of these liabilities, in particular significant changes in the terms of payment, as a result of submitting the given factoring obligations. As part of the balance of trade payables as at 30 June 2020, the value of balances covered by the supplier financing program was recognized in the amount of PLN 1,993,703,232 while as at 31 December 2019 the corresponding value of balances was PLN 1,806,000,577.

The risk of losing financial liquidity is presented in item 1.8.

Aging of trade liabilities is presented in the table below.

	30.06.2020	31.12.2019
current	3 880 348 536	3 685 173 780
1-30 days	29 285 987	94 799 457
31-90 days	8 339 141	12 429 215
91-180 days	2 256 506	1 224 141
> 180 days	1 478 513	1 162 683
	3 921 708 681	3 794 789 276

NOTE 5.

TRANSACTIONS WITH SUBSIDIARIES

Transactions with subsidiaries did not differ from transactions concluded in previous reporting periods and were concluded on market conditions.

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NOTE 6.
ITEMS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

CONTINGENTIES AS AT 30 JUNE 2020

			as at	as at	
Beneficiary	Title	Currency	30.06.2020	31.12.2019	
1	Bank 1	Surety for the obligations due to the "Franchise partners financing program" for the Franchisee Delikatesy Centrum"	PLN	1 090 068	1 808 658
2	Bank 2	Surety for finance liabilities of Frisco S.A.	PLN	-	31 433 278
			1 090 068	33 241 936	

* debt value as at balance sheet date

BANK GUARANTEES AS AT 30 JUNE 2020 - SECURITIES FOR RENT LIABILITIES

			as at	as at	
The Issuer	Title	Currency	30.06.2020	31.12.2019	
1	Bank 1	Security of rent liabilities	PLN	129 477 500	129 372 000
2	Bank 2	Security of rent liabilities *	PLN	19 183 476	20 421 421
3	Bank 3	Security of excise duty	PLN	620 100	620 100
4	Bank 4	Security for using of the national roads	PLN	500 000	500 000
5	Bank 5	Security of the liabilities of the promotion lottery	PLN	11 393 474	10 471 836
6	Bank 6	Security of payments to suppliers *	PLN	40 001 255	37 514 875
7	Bank 7	Security of payments to suppliers	PLN	816 958	2 032 132
			201 992 764	200 932 363	

* - Guarantee in EUR is translated into PLN at the average exchange rate of NBP:
as at 30.06.2020: 1 EUR = 4,4660 PLN
as at 31.12.2019: 1 EUR = 4,2585 PLN

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COLLATERALS

SECURITIES RELATED TO ASSETS AS AT 30 JUNE 2020

Title	Secured property	as at 30.06.2020	as at 31.12.2019
Security on the credit line agreement *	Pledge on inventories of Eurocash S.A.	90 000 000	90 000 000
Securing a framework agreement to provide bank guarantees *	Pledge on inventories of Eurocash Serwis Sp. z o.o.	100 000 000	100 000 000
Security on the credit line agreement *	Pledge on inventories of Eurocash S.A.	88 000 000	88 000 000
Security on the consolidated loan agreement to the amount 700.000.000 PLN *	Pledge on shares of Eurocash Serwis Sp. z o.o.	9 547 300	9 547 300
Security on the consolidated loan agreement to the amount 700.000.000 PLN *	Pledge on shares of Eurocash Franczyza Sp. z o.o.	3 800 000	3 800 000
Security on the consolidated loan agreement to the amount 700.000.000 PLN *	Pledge on shares of Ambra Sp. z o.o.	8 000 000	8 000 000
Security on credit agreement to the amount of 50.000.000 EUR***	Mortgage on 13 properties	333 750 000	-
Financial leasing agreements (due to net value of fixed assets at the balance sheet date)**	Ownership of fixed assets in financial leasing	30 038 257	7 766 381
		663 135 557	307 113 681

* security nominal value

** update of the financial leasing items

*** as at the day of approval these FS the registration position in Land and mortgage register is not legal valid

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NOTE 7.

FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 30 June 2020, the fair value of financial instruments approximated their carrying value. The Group implements interest rate risk security instruments (IRS), which are measured at their fair value. For these IRSs, the fair value was qualified to level 2 of the hierarchy - fair value is determined based on the values observed on the market yet not being direct market quotes (e.g. determined by direct or indirect reference to similar instruments existing on the market). In connection with the applied hedge accounting, the effect of valuation is recognized in other comprehensive income.

NOTE 8.

UNCERTAIN TAX TREATMENT

Regulations regarding VAT, corporate profits tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies.

Tax and other settlements (e.g. customs or foreign currency settlements) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in Poland than in countries that have a more established taxation system.

Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

In the previous reporting periods, companies within the Group carried out transactions and participated in restructuring processes, which may be the subject of analysis and control of tax authorities.

On 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rule (GAAR). GAAR are targeted to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland. GAAR define tax evasion as an activity performed mainly with a view to realising tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. In accordance with GAAR, an activity does not bring about tax gains, if its modus operandi was false. Any instances of (i) unreasonable division of an operation (ii) involvement of agents despite lack of economic rationale for such involvement, (iii) mutually exclusive or mutually compensating elements, as well as (iv) other activities similar to those referred to earlier may be treated as a hint of artificial activities subject to GAAR. New regulations will require considerably greater judgment in assessing tax effects of individual transactions.

The GAAR clause should be applied to the transactions performed after clause effective date and to the transactions which were performed prior to GAAR clause effective date, but for which after the clause effective date tax gains were realised or continue to be realised. The implementation of the above provisions will enable Polish tax authority challenge such arrangements realised by tax remitters as restructuring or reorganization.

The Group accounts for current and deferred tax assets and liabilities based on the requirements of IAS 12 Income taxes, based on taxable profit (tax loss), taxable base, carry-forward of unused tax losses and carry-forward of unused tax credits, and tax rates, while considering the assessment of uncertainty related to tax

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settlements. If uncertainty exists as to whether and to what extent tax authority will accept individual tax treatments of made transactions, the Group discloses these settlements while accounting for uncertainty assessment.

On 19 June 2017 a report from the tax control was delivered to Eurocash S.A. in which the tax authorities questioned the possibility of making depreciation write-offs concerning the values of certain trademarks. The tax depreciation costs amounted in the year 2011 to PLN 41 million.

Based on the external experts' tax analysis on 5 July 2017 the Company subjected its response to the tax report.

On 28 September 2017, the Head of the Customs and Revenue Office for Wielkopolska Region in Poznań issued a decision to Eurocash S.A., in which he stated in the case above that the Company had an understatement of tax liability for 2011 of PLN 8 million. On the basis of an external legal expert analysis, on 17 October 2017, the Company appealed against this decision. It mentions a number of arguments for the correctness of the tax settlements made by the Company, including confirmation of the correctness of the settlements through the positive interpretations of tax law. As a result, as at 31 December 2018, the Management Board of the Company has no confirmation for creating of any provisions due to these interpretations.

On 28 February 2018, the Head of the Customs and Revenue Office for Wielkopolska Region in Poznań initiated an audit of corporate income tax for 2016. As at 12 May, the audit was not completed.

On 17 December 2019, the Head of the Customs and Revenue Office for Wielkopolska Region in Poznań initiated a customs and tax audit in the area of corporate income tax for 2014 and 2015. As at 24 August 2020, the above-mentioned controls were not completed.

NOTE 9.

THE DAMAGE SUFFERED BY THE COMPANY AS A RESULT OF THE ACTIVITIES OF EXTERNAL ENTITIES PARTICIPATING IN THE VAT FRAUD MECHANISM

The audit of VAT settlements by the Eurocash Group companies did not reveal any irregularities of a nature identical to the irregularities disclosed in 2017. Despite the above, taking into account the turnover of the remaining companies of the Group, gained on transactions concerning intra-Community delivery of goods, the risks associated with such potential irregularities are not material.

Eurocash S.A. stopped execution of such transactions concerning intra-Community delivery of goods.

On 30 January 2018, the Prosecutor of the Regional Prosecutor's Office in Poznan commenced the investigation of the notification of 24 August 2017.

On 6 April 2020, the prosecutor of the Regional Prosecutor's Office in Poznań in the case of RP II Ds. 4.2016, issued pursuant to art. 24 § 1 of the Fiscal Penal Code, decision to draw Eurocash S.A. to liability in the event of a fine for threatening a former employee of the Company and the obligation to return the financial benefit. Following this decision, the prosecutor, on the same day, issued a decision to secure on Eurocash's property the execution of a potential judgment against a former employee. The security was made by seizing the amount of PLN 65,889,015, which previously - on 24 August 2017 - was paid by the Company to the bank account of the Head of the First Wielkopolski Tax Office in Poznań.

As a result of a complaint submitted by the Company on 22 July 2020, the District Court in Poznań revoked the decision on the security. Thus, the security collapsed.

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NOTE 10.

SIGNIFICANT EVENTS DURING THE PERIOD COVERED BY THE FINANCIAL STATEMENTS

1. COVID-19

In March 2020, SARS-CoV-2 coronavirus and its disease, referred to as the COVID-19, has started to spread out as a pandemic. Due to this fact, a number of preventive actions were taken to limit the spread in many countries, Poland among them. In the second half of March 2020, bans and restrictions has been introduced, among others, on conducting certain types of businesses, while recommending staying at home and working remotely. As at today, due to stabilization of the situation, previously recommended bans and restrictions are gradually deleted, however there are regions of country, where part of bans were reset. Therefore, the Eurocash Group constantly monitors the situation and complies with the recommendations of the Chief Sanitary Inspector and other authorities in Poland. The Group's activities to date have focused primarily on introducing recommendations of sanitary services aimed at limiting the spread of COVID-19 and ensuring, to the greatest extent possible, the safety of employees while allowing them uninterrupted work. Subsequently, the Eurocash Group focused on minimizing the effects of the negative impact of COVID-19, primarily in terms of sales. The costs incurred by the Group to date related to the COVID-19 pandemic were in the area of HR and administration. They were associated with temporarily higher salary costs for employees and the purchase of personal protective equipment intended for them. In addition, in connection with the COVID-19 pandemic, the Eurocash Group recorded an increase in sales in the retail segment and in wholesale segments that cooperate with independent and franchise stores. At the same time, Eurocash Group recorded a decrease in sales in the Horeca segment, as well as in Kontigo and Inmedio formats.

The possible development of an epidemic in Poland may have a negative impact on the Group's operating activities and the production capacity of suppliers or the volume of sales of recipients. Considering the above-mentioned circumstances, the Management Board of Eurocash Group has analyzed the possible impact of the indicated situation on the financial results of the Group. Based on the analysis carried out, the Management Board of the parent entity did not identify important uncertainty to the functioning in the future of the parent entity and its subsidiaries.

Detailed information on the impact of Covid -19 and analyzes that the Management Board carried out in connection with it are included in the notes 1 and 4 of these financial statements.

2. Change in ownership as a result of which the entity has become a holder of shares representing less than 5% of the total number of votes at the Company's General Meeting

Eurocash S.A. announces that it received from the Azvalor Asset Management S.G.I.I.C. S.A., information that in connection with a transactions executed on the regulated market on the Warsaw Stock Exchange on 20th March 2020 regarding the sale of Eurocash ordinary bearer shares by Azvalor, became the holder of shares providing less than 5% of the total number of votes at the Eurocash S.A. General Meeting.

After the settlement of the above mentioned transactions, the funds managed by Azvalor hold 6 766 727 Eurocash shares, which represent a 4.86% stake in the Company's share capital and 4.86% of the total number of votes at the Eurocash S.A. General Meeting.

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NOTE 11.

IMPORTANT EVENTS AFTER THE PERIOD COVERED BY THE FINANCIAL STATEMENTS

On 01.07.2020, according to Resolution No. 1 of the Extraordinary Meeting of Shareholders of Eurocash Franczyza Sp. z o.o. and Eurocash Convenience Sp. z o.o. on 20.05.2020, the merger of Eurocash Convenience Sp. z o.o. with the company Eurocash Franczyza Sp. z o.o. took place.

<i>Condensed interim consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President of the Management Board	Luis Amaral	24 th August 2020	
Management Board Member	Rui Amaral	24 th August 2020	
Management Board Member	Arnaldo Guerreiro	24 th August 2020	
Management Board Member	Pedro Martinho	24 th August 2020	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	24 th August 2020	
Management Board Member Financial Director	Jacek Owczarek	24 th August 2020	
Management Board Member	Przemysław Ciaś	24 th August 2020	
Management Board Member	Noel Collett	24 th August 2020	

SELECTED SEPARATE FINANCIAL DATA

	Non audited for the period from 01.01.2020 to 30.06.2020 PLN	Non audited for the period from 01.01.2019 to 30.06.2019 PLN	Non audited for the period from 01.01.2020 to 30.06.2020 EUR	Non audited for the period from 01.01.2019 to 30.06.2019 EUR
Sales	7 758 072 269	7 308 579 855	1 757 366 980	1 702 322 189
Operating profit (loss)	104 574 831	60 943 961	23 688 405	14 195 132
Profit (loss) before income tax	22 513 173	34 691 130	5 099 709	8 080 295
Profit (loss) for the on continued operations	9 585 493	24 506 232	2 171 316	5 708 018
Profit (loss) for the period	9 585 493	24 506 232	2 171 316	5 708 018
Net cash from operating activities	164 152 401	133 219 023	37 183 981	31 029 517
Net cash used in investing activities	(176 096 375)	(125 588 701)	(39 889 543)	(29 252 254)
Net cash used in financing activities	96 767 370	(17 822 901)	21 919 850	(4 151 329)
Net change in cash and cash equivalents	84 823 396	(10 192 578)	19 214 288	(2 374 066)
Weighted average number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Weighted average diluted number of shares	139 163 286	139 163 286	139 163 286	139 163 286
EPS (in PLN / EUR)	0,07	0,18	0,02	0,04
Diluted EPS (in PLN / EUR)	0,07	0,18	0,02	0,04
Average PLN / EUR rate*			4,4146	4,2933
	Non audited as at 30.06.2020 PLN	Non audited as at 31.12.2019 PLN	Non audited as at 30.06.2020 EUR	Non audited as at 31.12.2019 EUR
Assets	6 698 582 723	6 600 468 248	1 499 906 566	1 549 951 449
Non-current liabilities	1 037 690 187	828 307 997	232 353 378	194 506 985
Current liabilities	4 586 473 518	4 688 063 068	1 026 975 709	1 100 871 919
Equity	1 074 419 019	1 084 097 183	240 577 478	254 572 545
Share capital	139 163 286	139 163 286	31 160 610	32 678 945
Number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Diluted number of shares	141 963 286	141 963 286	141 963 286	141 963 286
Book value per share (in PLN / EUR)	7,72	7,79	1,73	1,83
Diluted book value per share (in PLN / EUR)	7,57	7,64	1,69	1,79
Dividends paid (in PLN / EUR)	-	139 163 286	-	32 678 945
Dividends paid per share (in PLN / EUR)	-	1,00	-	0,23
PLN / EUR rate at the end of the period**			4,4660	4,2585

* Profit and loss items and cash flow items calculated on basis at a weighted average rate announced by the National Bank of Poland for 2Q 2020 YTD.

** 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.

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders and Supervisory Board of Eurocash S.A.

Introduction

We have reviewed the condensed interim separate financial statements of Eurocash S.A. (the 'Company') located in Komorniki at Wiśniowa 11, containing: the introduction to condensed interim separate financial statements, condensed separate income statement and condensed separate statement of comprehensive income for the period from 1 January 2020 to 30 June 2020, condensed separate statement of financial position as at 30 June 2020, condensed separate statement of cash flows and condensed separate statement on changes in equity for the period from 1 January 2020 to 30 June 2020, supplementary information to the condensed interim separate financial statements (the 'interim condensed financial statements').

The Company's Management is responsible for the preparation and presentation of the interim condensed financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Our responsibility is to express a conclusion on the interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with National Review Standard 2410 in the wording of the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ('standard'), adopted by the National Council of Statutory. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with National Auditing Standards in the wording of the International Auditing Standards adopted by the National Council of Statutory Auditors and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Warsaw, 24 August 2020

Key certified auditor

Robert Klimacki
certified auditor
no in the register: 90055

on behalf of
Ernst & Young Audyt Polska
spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
no on audit firms list: 130

EUROCASH S.A.

**CONDENSED INTERIM
SEPARATE FINANCIAL STATEMENTS**

FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 JUNE 2020

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the report of the above-mentioned Polish Company.
In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

KOMORNIKI, 24th August 2020

<i>Condensed interim separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>01.01-30.06.2020</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

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Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

INTRODUCTION TO CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

1. INFORMATION ABOUT THE COMPANY

NAME

EUROCASH Spółka Akcyjna

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Non-specialized wholesale trade
(PKD 4690Z)

REGISTRY COURT

District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register,
Registration number: KRS 0000213765

DURATION OF THE COMPANY

Indefinite

PERIOD COVERED BY THE FINANCIAL STATEMENTS

The condensed interim separate financial statements cover the 6-month period ended 30 June 2020 and contain comparative data for the 6-month period ended 30 June 2019 and as at 31 December 2019. The statement of comprehensive income, the income statement include data for the 3-month period ended 30 June 2020 and comparative data for the 3-month period ended 30 June 2019, which were not reviewed or audited by the auditor. The comparative data was presented in accordance with the requirements of IAS 34 "Interim Financial Reporting", which was approved by the European Union.

2. BODIES OF THE COMPANY

2.1. MANAGEMENT BOARD

As at 30 June 2020 the Company's Management Board consisted of the following members:

Luis Manuel Conceicao do Amaral – President of the Management Board,
Rui Amaral – Member of the Management Board,
Arnaldo Guerreiro – Member of the Management Board,
Pedro Martinho – Member of the Management Board,
Katarzyna Kopaczewska – Member of the Management Board,
Jacek Owczarek – Member of the Management Board,
Przemysław Ciaś – Member of the Management Board,
Noel Collett – Member of the Management Board.

<i>Condensed interim separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>01.01-30.06.2020</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

2.2. SUPERVISORY BOARD

As at 30 June 2020 the Company's Supervisory Board consisted of the following members:

Hans Joachim Körber – President of the Supervisory Board,
Francisco José Valente Hipólito dos Santos – Member of the Supervisory Board,
Jorge Mora – Member of the Supervisory Board,
Renato Arie – Member of the Supervisory Board,
Ewald Raben – Member of the Supervisory Board.

2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

According to the resolution of 18 December 2019, Noel Collett was appointed as a Member of the Management Board with effect on 1 January 2020.

There were no changes in the Supervisory Board till balance sheet date.

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONDENSED SEPARATE INCOME STATEMENT FOR THE PERIOD FROM 01.01.2020 TO 30.06.2020

	Note	Non audited 2nd Quarter for the period from 01.04.2020 to 30.06.2020	Non audited 2 Quarters for the period from 01.01.2020 to 30.06.2020	Non audited 2nd Quarter for the period from 01.04.2019 to 30.06.2019	Non audited 2 Quarters for the period from 01.01.2019 to 30.06.2019
Sales		4 014 534 883	7 758 072 269	3 929 769 278	7 308 579 855
Sales of goods		3 999 896 226	7 734 218 723	3 911 190 601	7 272 723 468
Sales of services		14 638 657	23 853 546	18 578 678	35 856 388
Costs of sales		(3 513 975 555)	(6 839 027 771)	(3 455 433 003)	(6 441 435 132)
Costs of goods sold		(3 513 975 555)	(6 839 027 771)	(3 455 433 003)	(6 441 435 132)
Gross profit (loss)		500 559 328	919 044 498	474 336 276	867 144 723
Selling expenses		(331 901 227)	(678 510 410)	(341 093 046)	(660 561 123)
General and administrative expenses		(71 161 317)	(137 482 166)	(77 795 663)	(145 061 124)
Profit (loss) on sales		97 496 784	103 051 922	55 447 567	61 522 477
Other operating income		8 119 016	15 248 432	5 778 736	15 458 581
Other operating expenses		(1 629 418)	(13 725 523)	(8 410 622)	(16 037 097)
Operating profit (loss)		103 986 382	104 574 831	52 815 680	60 943 961
Financial income		7 271 931	13 313 045	15 015 582	21 080 998
Financial costs	4	(45 845 056)	(95 374 703)	(21 447 334)	(47 333 829)
Profit (loss) before tax		65 413 257	22 513 173	46 383 928	34 691 130
Income tax expense	4	(18 551 851)	(12 927 680)	(11 353 872)	(10 184 898)
Profit (loss) for the period		46 861 406	9 585 493	35 030 056	24 506 232

EARNINGS PER SHARE

	PLN / share	PLN / share
Profit (loss) for the period	9 585 493	24 506 232
Weighted average number of shares	139 163 286	139 163 286
Weighted average diluted number of shares	139 163 286	139 163 286
Earnings per share		
- basic	0,07	0,18
- diluted	0,07	0,18

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01.2020
TO 30.06.2020**

	Non audited 2nd Quarter for the period from 01.04.2020 to 30.06.2020	Non audited 2 Quarters for the period from 01.01.2020 to 30.06.2020	Non audited 2nd Quarter for the period from 01.04.2019 to 30.06.2019	Non audited 2 Quarters for the period from 01.01.2019 to 30.06.2019
Profit (loss) for the period	46 861 406	9 585 493	35 030 056	24 506 232
Other comprehensive income for the period	(3 862 326)	(21 095 457)	250 890	1 660 798
Items that may be subsequently reclassified to profit or loss:				
- The result on hedge accounting with the tax effect:	(3 862 326)	(21 095 457)	250 890	1 660 798
Total comprehensive income for the period	42 999 080	(11 509 964)	35 280 946	26 167 030

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 30.06.2020

	Note	Non audited as at 30.06.2020	as at 31.12.2019
Assets			
Non-current assets		4 619 717 376	4 549 573 989
Goodwill		1 133 815 482	1 133 815 482
Intangible assets		597 015 202	604 997 749
Property, plant and equipment		441 247 556	448 955 881
Right of use assets		886 253 106	931 607 465
Investment property		933 559	941 407
Investments in subsidiary companies	4	1 548 320 880	1 371 611 616
Investments in equity accounted investees	4	4 590 840	42 793 025
Other long-term investments		21 098	6 671 728
Long-term receivables		4 633 831	6 939 199
Other long-term prepayments		2 885 822	1 240 436
Current assets		2 078 865 348	2 050 894 258
Inventories	4	793 145 235	806 024 237
Trade receivables	4	1 084 718 994	1 122 074 335
Current tax receivables	4	17 972 205	-
Other short-term receivables		44 854 145	31 852 370
Other short-term financial assets	4	2 330 379	33 733 114
Short-term prepayments		20 044 417	26 233 625
Cash and cash equivalents		115 799 973	30 976 577
Total assets		6 698 582 723	6 600 468 248

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

	Non audited as at 30.06.2020	as at 31.12.2019
<i>Equity and liabilities</i>		
Equity	1 074 419 019	1 084 097 183
Equity attributable to Owners of the Company	1 074 419 019	1 084 097 183
Share capital	139 163 286	139 163 286
Reserve capital	698 369 575	696 537 775
Valuation equity of hedging transactions	(26 423 145)	(5 327 688)
Retained earnings	263 309 303	253 723 810
Accumulated profit / loss from previous years	253 723 810	79 111 355
Profit (loss) for the period	9 585 493	174 612 455
Liabilities	5 624 163 705	5 516 371 065
Non-current liabilities	1 037 690 187	828 307 997
Long-term loans and borrowings	213 850 000	-
Other long-term financial liabilities	9 976 056	38 415
Long-term lease liabilities	783 331 921	799 207 791
Other long-term liabilities	383 500	1 320 500
Deferred tax liabilities	26 299 640	24 001 976
Employee benefits	3 849 070	3 739 315
Current liabilities	4 586 473 518	4 688 063 068
Loans and borrowings	1 376 379 357	1 387 439 995
Other short-term financial liabilities	38 074 653	21 108 129
Short-term lease liabilities	140 889 226	148 262 586
Trade payables	4 2 784 336 630	2 870 981 863
Current tax liabilities	-	10 971 367
Other short-term payables	50 917 707	48 888 504
Current employee benefits	91 718 579	85 030 764
Provisions	104 157 366	115 379 861
Total equity and liabilities	6 698 582 723	6 600 468 248
BOOK VALUE PER SHARE		
	as at 30.06.2020	as at 31.12.2019
Equity attributable to Owners of the Company	1 074 419 019	1 084 097 183
Number of shares	139 163 286	139 163 286
Diluted number of shares	141 963 286	141 963 286
Book value per share	7,72	7,79
Diluted book value per share	7,57	7,64

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONDENSED SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01.2020 TO 30.06.2020

	Non audited 2 Quarters for the period from 01.01.2020 to 30.06.2020	Non audited 2 Quarters for the period from 01.01.2019 to 30.06.2019
<i>Cash flow from operating activities</i>		
Profit (loss) before tax	22 513 173	34 691 130
Adjustments for:	226 252 164	176 819 595
Depreciation and amortization	141 595 887	135 663 717
Valuation of motivational program	1 831 800	2 940 000
(Gain) loss on sale of property, plant, equipment ,loans and shares	22 773 457	6 343 208
Profit (loss) on exchange rates	14 935 154	(3 122 598)
Dividends received	-	(4 925 076)
Interest expenses	47 023 177	42 668 097
Interest received	(1 907 310)	(2 747 752)
Operating cash before changes in working capital	248 765 337	211 510 725
Changes in inventory	12 879 003	20 846 583
Changes in receivables	24 369 347	(151 612 180)
Changes in payables	(66 077 840)	122 943 675
Changes in provisions and employee benefits	1 324 622	(1 323 873)
Operating cash	221 260 468	202 364 930
Interest received	1 442 240	1 855 412
Interest paid	(23 762 987)	(28 053 700)
Income tax paid	(34 787 320)	(42 947 619)
Net cash from operating activities	164 152 401	133 219 023
<i>Cash flow from investing activities</i>		
Aquisition of intangible assets	(18 197 198)	(18 182 486)
Proceeds from sale of intangible assets, property, plant and equipment	1 725	5 071
Aquisition of property, plant and equipment tangible fixed assets	(40 299 277)	(36 505 773)
Proceeds from sale of property, plant and equipment	7 399 597	908 602
Income/expenses on other short-term financial assets	-	(3 627 160)
Dividends received	-	4 925 076
Aquisition of subsidiaries *	(156 880 077)	(71 448 126)
Loans granted	-	(2 598 490)
Repayment received of given loans	31 530 508	118 943
Interest received	348 346	815 642
Net cash used in investing activities	(176 096 375)	(125 588 701)
<i>Cash flow from financing activities</i>		
Income/expenses for other financial liabilities	861 231	(1 673 877)
Proceeds from loans and borrowings	522 750 526	263 560 853
Repayment of borrowings	(319 960 638)	(40 840 690)
Expenses for liabilities from leasing	(72 388 039)	(69 590 190)
Other interests	(19 529 170)	(17 525 708)
Interests on loans and borrowings	(14 966 541)	(12 590 003)
Dividends paid	-	(139 163 286)
Net cash used in financing activities	96 767 370	(17 822 901)
Net change in cash and cash equivalents	84 823 396	(10 192 578)
Cash and cash equivalents at the beginning of the period	30 976 577	98 093 976
Cash and cash equivalents at the end of the period	115 799 973	87 901 398

* Note 4

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONDENSED SEPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 01.01.2020 TO 30.06.2020

	Share capital	Reserve capital	Hedge reserve	Retained earnings	Total
<i>Changes in equity in the period from 01.01 to 30.06.2019</i>					
Balance as at 01.01.2019 after changes	139 163 286	680 200 006	(7 638 430)	239 142 012	1 050 866 874
Profit (loss) for the period from 01.01. to 30.06.2019	-	-	-	24 506 232	24 506 232
Net profit presented directly in equity	-	-	1 409 907	-	1 409 907
Total comprehensive income for the period from 01.01. to 30.06.2019	-	-	1 409 907	24 506 232	25 916 140
Dividends paid	-	-	-	(139 163 286)	(139 163 286)
Transfer to reserve capital	-	10 457 769	-	(10 457 769)	-
Equity-settled share-based payment transactions	-	2 940 000	-	-	2 940 000
Other	-	-	-	(1 620 893)	(1 620 893)
Total contributions by and distributions to Owners of the Company	-	13 397 769	250 890	(151 241 948)	(137 593 289)
Balance as at 30.06.2019	139 163 286	693 597 775	(5 977 632)	112 406 296	939 189 725
<i>Changes in equity in the period from 01.01 to 30.06.2020</i>					
Balance as at 01.01.2020	139 163 286	696 537 775	(5 327 688)	253 723 810	1 084 097 183
Profit (loss) for the period from 01.01. to 30.06.2020	-	-	-	9 585 493	9 585 493
Other comprehensive income	-	-	(21 095 457)	-	(21 095 457)
Total comprehensive income for the period from 01.01. to 30.06.2020	-	-	(21 095 457)	9 585 493	(11 509 964)
Valuation of motivational program for employees	-	1 831 800	-	-	1 831 800
Total contributions by and distributions to Owners of the Company	-	1 831 800	-	-	1 831 800
Balance as at 30.06.2020	139 163 286	698 369 575	(26 423 145)	263 309 303	1 074 419 019

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SUPPLEMENTARY INFORMATION TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2020 TO 30.06.2020

1. GENERAL INFORMATION

1.1. ISSUE OF THE FINANCIAL STATEMENT

According to the resolution of the Management Board dated 24 August 2020, these condensed interim separate financial statements of Eurocash S.A. for the period from 1 January 2020 to 30 June 2020 were authorised for publication.

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

1.2. STATEMENT OF COMPLIANCE

The condensed interim separate financial statements have been prepared in accordance with the International Accounting Standard IAS 34 - Interim Financial Reporting, as approved by the European Union.

These condensed interim financial statements should be read in conjunction with the condensed interim consolidated financial statements of Eurocash S.A. Group as at and for the period ended 30 June 2020, and the separate financial statements of Eurocash S.A. as at and for the year ended 31 December 2019, which are available on the website www.grupaeurocash.pl.

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

The accounting principles applied to the preparation of the interim condensed interim separate financial statements are consistent with those applied to the preparation of the annual condensed separate financial statements of the Company for the year ended 31 December 2019, except for the application of new or amended standards and interpretations applicable to annual periods beginning on or after 01 January 2020.

The changed standards and interpretations that are applicable for the first time in 2020, do not have a significant impact on the Company's interim condensed financial statements.

a) Amendments to IFRS 3: Definition of a Business

Amendments to IFRS 3 specify that in order to be considered a business, an integrated set of activities and assets must include at least one input and one significant process, which together significantly contribute to the ability to create a product. These changes also make it clear that a business can exist without all the inputs and processes necessary to produce the outputs.

b) Amendments to IFRS 7, IFRS 9 and IAS 39: Reform of interest rate benchmarks

Amendments to IFRS 9 and IAS 39 introduce a number of exceptions to all hedging relationships directly affected by the IBOR reform. The IBOR reform affects a hedging relationship if it creates uncertainty about the timing and / or amount of the cash flows based on an interest rate benchmark arising from a hedged item or an interest rate benchmark hedging instrument.

c) Amendments to IAS 1 and IAS 8: Definition of "material"

Amendments to IAS 1 and IAS 8 introduce a new definition of the concept of "material", which states that "information is material if it can reasonably be expected that its omission, misstatement or non-transparency may affect decisions made by key users of general purpose financial statements. on the basis of that report that includes financial information relating to a specific reporting entity. ' The amendments clarify that materiality will depend on the nature or size of the information, individually or in combination with other information, in the context of the financial statements as a whole.

<i>Condensed interim separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

d) Conceptual framework for financial reporting as of 29 March 2018

The conceptual framework does not constitute a separate standard and none of the terms presented therein supersedes or overrides the terms set forth in any standard or the requirements of any standard. The purpose of the Framework is to assist the IASB in developing standards, to assist preparers in developing consistent accounting policies where there is no relevant standard, and to assist all parties to financial reporting in understanding and applying the standards.

The updated conceptual framework includes some new concepts, updates the definitions and criteria for recognizing assets and liabilities, and refines some important concepts.

- e) IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016;
- f) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) – the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- g) IFRS 17 Insurance Contracts (issued on 18 May 2017) including Amendments to IFRS 17 (issued on 25 June 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2023;
- h) Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2023;
- i) Amendments to IFRS 3: Reference to the Conceptual Framework (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2022;
- j) Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2022;
- k) Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2022;
- l) Annual Improvements to IFRS Standards 2018–2020 (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2022;
- m) Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions (issued on 28 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020;
- n) Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2021.

The Company has not decided to early apply any standard, interpretation or amendment that has been published but has not yet come into force under the European Union regulations.

The effective dates are dates provided by the International Accounting Standards Board. Effective dates in the European Union may differ from the effective dates provided in standards and are published when the standards are endorsed by the European Union.

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1.4. PRESENTATION CURRENCY, ROUNDINGS

These condensed interim separate financial statements are presented in PLN, which is the Company'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

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revised accounting estimates are recognized in the current period and in any future periods affected, if the change in estimate concerns both the current and future periods.

The estimates take into account the impact of Pandemic Covid -19 on the Company's current operations. The Company prepared tests for impairment of goodwill and investments in subsidiaries and other assets. This required an estimation of the value in use of the cash-generating unit to which the goodwill and trademarks are allocated. Estimating the value in use consists in determining the future cash flows generated by the cash-generating unit and requires determining the discount rate to be applied in order to calculate the present value of these flows. The assumptions adopted for that purpose are specified in Note 1.

The level of payments of trade receivables from the Company's recipients and their financial situation were also analyzed, as due to Covid - 19, details were included in Note 4.

The company identifies control over the entities in which it holds fifty or fewer percent of shares based on the analysis performed in accordance with IFRS 10 and on the basis investment agreements.

The Company uses many financial instruments, including contracts for financing the supply chain (reverse factoring) in relation to its trade liabilities. Taking into account the potential impact of this type of agreements on the cash flow statement and the statement of financial position, the Company analyzes the content of such agreements on a case-by-case basis. In particular, the Management Board assesses whether the supplier financing program does not incur significant costs related to this program or significant changes in payment dates and future cash flows. In the case of significant modifications of terms of repayment of trade liabilities, the Company makes appropriate changes to the classification and recognizes liabilities covered by factoring as separate debt financing.

In accordance with the Management Board's judgment, restrictions on the disposal of cash in VAT accounts resulting from tax regulations regarding the split payment mechanism do not affect their classification as cash and cash equivalents, as the Company uses them on an ongoing basis to settle short-term liabilities.

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 separate financial statements for the year ended 31 December 2019, excluding the application of new or amended standards and interpretations applicable to annual periods beginning on 1 January 2020 and later.

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1.7. GOING CONCERN ASSUMPTION

These financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. When assessing the entity's ability to continue as a going concern, the Management Board takes into account, as a danger, the existing and expected effects of the COVID-19 pandemic on the entity's operations,. The Management Board of the Company analyzed the possible impact of the indicated situation on the Company's financial results. On the basis of the analysis performed, the Management Board did not identify any important uncertainty to the Company's future operations.

As at 16 June 2020 the Company concluded the 3-years loan agreement with the limit in the amount of PLN 600 mln. At the same time the Management Board decided about the utilization of this loan in July 2020 on refinancing the loan agreement ending in September 2020, thereby changing it from short-term to long-term. Nevertheless as at 30 June 2020 there was a surplus of current liabilities over the current assets in the amount of PLN 2,51 billion, which, in connection with the above-mentioned fact of concluding a new one long-term loan agreement, in fact would be PLN 1,91 billion in the case of refinancing on this date. At the same time as at 30 June 2020 there was a surplus of current liabilities of the Company over its current assets (trade receivables and inventories) in the amount of PLN 0,91 billion, which, in the opinion of Management Board, is typical for the industry in which the Company operates, in which a significant part of sales is made on cash terms, inventory is minimized, and suppliers provide deferred payment terms, however the Company uses also reverse factoring instruments. At the same time, the Company is developing the retail network by employing its own resources and those coming from external financing sources.

The financial plans for 2020 and subsequent years, as detailed below, prepared by the Management Board, indicate that the Company maintain liquidity and provide ongoing servicing of liabilities. Suspension conditions related to loan agreements are monitored on an ongoing basis, as at the balance sheet date, 30 June 2020, the terms of loan agreements were not broken. In addition, as at the balance sheet date, 30 June 2020, the Company also has unused credit limits in the amount of PLN 154 million.

The Company also analyzed the time payment of its trade liabilities, details are provided in Note 4. The company is planning to maintain the structure and dates of the rotation of liabilities in the subsequent reporting periods.

In connection with the situation of the SARS-CoV-2 coronavirus pandemic described in Note 7, which affects Eurocash Group companies, the Company monitors the situation on an ongoing basis and complies with the recommendations of the Chief Sanitary Inspector and other services in Poland. There are taken up special preventive measures on an ongoing basis and recommended to employees, minimizing the risk related to infection. As at the date of these financial statements, all areas of the Company's operating activities function efficiently.

Taking into account the circumstances indicated above, the Management Board of the Company analyzed the possible impact of the indicated situation on the financial results and cash flows of the Group in the next 12 months. The prepared models indicate that at any time of 12-months period until 30 June 2021, the Group will have sufficient credit limits, wherein the highest utilization of this limits will occur at the turn of Q1 and Q2 2021. The most pessimistic scenario envisages that the total financial limit resulting from the available lines at this moment will exceed the financing demand by approximately PLN 50 mln. The planned financial limit in debt includes two loan agreements, where one of them – in amount of PLN 75 mln – results from the agreement accepted by bank, which is scheduled for this week, while the second – on amount of PLN 50 mln – is currently a tan advanced stage of negotiations and its implementation is planned on September 2020. Both of the agreements

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are concluded on the basis of submitted applications for obtaining additional financing under the anti-crisis shield, with the security in the form of 80% of guarantee from Bank Gospodarstwa Krajowego. Within the credit limits the Group holds active loans in the bank account in financing banks, maintained in recent years and extended on an annual cycles, in amount of about PLN 350 mln being taken within 12 months from the extension day, in which there is planned the extension of the limits. In each adopted model, the Management Board assumes that all current overdraft credit limits will be extended for subsequent periods in unchanged amounts. In addition, on June 9, 2020, the Company concluded a loan agreement with the Europejski Bank Odbudowy i Rozwoju in Polish zlotys, in the amount of the equivalent of EUR 50 mln, valid until June 2025. The loan was released on June 29, 2020.

Based on the above-mentioned models, the Group monitors and prepares projections of meeting the financial ratios in accordance with the loan agreements (covenants). In each of the analyzed future reporting periods, up to the second quarter of 2021 inclusive, these ratios meet the level required by the banks financing the Group. The Company analyzed the sensitivity of the liquidity model to extraordinary events including scenarios of a worsening economic environment as a result of the development of a virus pandemic SARS-2, assuming the situation observed in the second quarter of 2020 (lockdown situation in the economy). In the basic scenario, the Group predicts that the rolling ratio „12-months EBITDA (without IFRS16)” cannot deviate from the budgeted value by more than 34% in Q1 2021. While this ratio cannot deviate more than 5% from the predicted value within the most pessimistic variant.

Based on the analysis, the Management Board concluded that the Company has sufficient sources of financing and that there is no significant uncertainty to the going concern status.

The test of the future cash flows was prepared at the Group level, where Eurocash S.A. is a parent entity. Based on the analysis the Management Board confirmed that also in the case of the Company there is no significant uncertainty to the going concern.

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NOTES TO CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2020 TO 30.06.2020

NOTE 1.

IMPAIRMENT TESTING OF ASSETS

In connection with the Covid-19 pandemic, the Company analyzed the indications of impairment of assets, including investments in subsidiaries, goodwill and intangible assets with an indefinite useful life. The reasons for the tests were identified by the lower realisation of the budgets of individual business departments in the second quarter of 2020 and the impact of the Covid-19 pandemic on the economic situation in Poland - the market where sales by Eurocash Group companies are taking place.

As at 30.06.2020, the Company conducted impairment tests in relation to individual assets with goodwill disclosed in the financial statements in the total amount of PLN 1.133 million (2019: PLN 1.133 million) due to wholesale and retail activity and determined the recoverable amounts of the cash-generating units to which these assets (including goodwill) is allocated.

The recoverable amount of individual centers was compared with the carrying amount defined as the sum of the assets of a given cash-generating unit, less current liabilities that are part of working capital.

For each impairment test, the recoverable amount was determined as the value of the tested cash-generating unit based on financial projections for 2020-2025. To determine selected projection parameters, historical data for 2019 and approved by the Management Board of Eurocash S.A. were used. plans for 2020-2025.

Moreover, an analysis of the impairment of individual assets was performed, including investments in subsidiaries.

Fixed assets (including Goodwill) related to wholesale activities

The recoverable amount estimation model includes 5-year detailed cash flow projections. average annual sales increase by 5.5% and constant gross margin increase in the horizon of a detailed forecast.

The test assumes the stabilization of flows, the discount rate used in cash flows is consistent with the weighted average cost of capital (WACC) calculated on the basis of the risk-free rate.

Other elements used in the calculation, such as market risk premium, beta ratio and capital structure, are based on market data adequate for the industry in which Eurocash operates according to the wholesale activity.

The weighted average cost of capital was assumed as the discount rate - WACC 6.69% (in 2019 WACC 6.69%). As a result of the analysis, it was confirmed that there was no need to make an impairment loss.

The growth rate of 2.5% was adopted for the residual period.

In the Company's opinion, no rational change in the key assumptions adopted for measuring the recoverable amount of individual cash-generating units will not result in the carrying amounts of these centers exceeding their recoverable amounts.

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Fixed assets (including Goodwill) related to retail activities

The recoverable amount of the Retail segment assets was based on the cash flow projections, among others with the following assumptions:

- model for determining the recoverable amount based on the existing infrastructure and sales network (value in use), including central distribution of goods and sales to own and franchise stores,
- a detailed forecast period of 5 years was adopted,
- the calculation of cash flow projections takes into account the recognition of lease contracts in accordance with IFRS 16,
- the cash flow forecast takes into account no deterioration of the epidemiological situation in relation to the situation as at the date of approval of these financial statements (i.e. no further "lockdown"),
- capital expenditure in subsequent years has been agreed to approved investment budgets,
- in the period covered by the detailed analysis, an average annual increase in sales revenues of 5.2% was adopted (in the residual period: 2,5%),
- a gross margin increase of 0.3 pp was assumed in the detailed forecast horizon. and maintaining a constant level of operating margin,
- the level of working capital was forecast based on historical inventory turnover ratios, trade receivables and trade payables.

The discount rate used in the cash flows is consistent with the Weighted Average Cost of Capital (WACC) calculated on the basis of the risk-free rate. Other elements used in the calculation, such as the market risk premium, beta factor and capital structure are based on market data, adequate for the industry in which Eurocash operates. A specific risk premium for the Eurocash Group was also adopted. The weighted average cost of capital - WACC of 7.95% (2019: 8.03%) was used as the discount rate. The change in the adopted discount rate was caused, inter alia, by the forecasts are based on sales development and capital expenditure only for retail stores existing at the test date.

The tested value of assets for the Retail business model assigned to it was PLN 1,141 million. The test result showed a surplus of the recoverable value over the book value of PLN 357 million.

For the Retail segment, change of the discount rate by 0.25 pp. would reduce / increase the recoverable value by about 60 million, while a change in gross margin by 0.25 pp. - by about 250 million, respectively. Increase / decrease of the discount rate by 0.25 pp. as well as decrease / increase in margin by 0.25 pp. does not lead to impairment of the cash-generating unit to which goodwill is assigned. Change of the growth rate after the detailed forecast period by +/- 0.5 pp. would reduce / increase the recoverable amount by approximately PLN 100 million.

Reducing the gross margin in the forecast horizon by 0.5 pp, with the remaining model parameters unchanged, would result in the equalization of the book value of the assets of the cash generating unit with the recoverable amount. An increase in the discount rate by 2 pp would have the same effect. and a decrease in the growth rate over the detailed forecast period by approx. 0,6 pp.

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Investments in subsidiaries

For investments in subsidiaries included in the Retail segment, in the consolidated financial statements of the Eurocash Group and developing the business model Detal+, after the reorganization measures in the Group, a test was carried out based on the projected cash flows over the 5-year horizon of the detailed forecast revised by the Management Board of the Company as at 30.06.2020 with the residual value. The main assumptions used in the forecasts in the Retail segment are described above. The test covered investments in companies related to the Detal+ project: Delikatesy Centrum Sp. z o.o. (formerly Ledi Sp. z o.o., after the merger with Mila S.A.), Eurocash Franczyza Sp. z o.o., FHC2 Sp. z o.o., Madas Sp. z o.o., Firma Rogala Sp. z o.o., Partner Sp. z o.o. As a result of the analyzes, there was no need to write down the investments in subsidiaries indicated above.

For subsidiaries that in Eurocash Group are part of the Projects segment, the indications for impairment were assessed and appropriate analyzes were carried out, if any such indications were found. In the case of an indirect subsidiary, Kontigo Sp. z o.o., the analysis carried out based on the business development plan covering the online sale of cosmetics showed an impairment of PLN 25 million. A suitable write-down on investments in subsidiaries has been recognized in these financial statements.

NOTE 2.

UNCERTAIN TAX TREATMENT

Regulations regarding VAT, corporate profits tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies.

Tax and other settlements (e.g. customs or foreign currency settlements) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in Poland than in countries that have a more established taxation system.

Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

In the previous reporting periods, companies within the Group carried out transactions and participated in restructuring processes, which may be the subject of analysis and control of tax authorities.

On 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rule (GAAR). GAAR are targeted to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland. GAAR define tax evasion as an activity performed mainly with a view to realising tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. In accordance with GAAR, an activity does not bring about tax gains, if its modus operandi was false. Any instances of (i) unreasonable division of an operation (ii) involvement of agents despite lack of economic rationale for such involvement, (iii) mutually exclusive or mutually compensating elements, as well as (iv) other activities similar to those referred to earlier may be treated as a hint of artificial activities subject to GAAR. New regulations will require considerably greater judgment in assessing tax effects of individual transactions.

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The GAAR clause should be applied to the transactions performed after clause effective date and to the transactions which were performed prior to GAAR clause effective date, but for which after the clause effective date tax gains were realised or continue to be realised. The implementation of the above provisions will enable Polish tax authority challenge such arrangements realised by tax remitters as restructuring or reorganization.

The Group accounts for current and deferred tax assets and liabilities based on the requirements of IAS 12 Income taxes, based on taxable profit (tax loss), taxable base, carry-forward of unused tax losses and carry-forward of unused tax credits, and tax rates, while considering the assessment of uncertainty related to tax settlements. If uncertainty exists as to whether and to what extent tax authority will accept individual tax treatments of made transactions, the Group discloses these settlements while accounting for uncertainty assessment.

On 19 June 2017 a report from the tax control was delivered to Eurocash S.A. in which the tax authorities questioned the possibility of making depreciation write-offs concerning the values of certain trademarks. The tax depreciation costs amounted in the year 2011 to PLN 41 million.

Based on the external experts' tax analysis on 5 July 2017 the Company subjected its response to the tax report.

By the decision of 19 March 2019, the Director of the Tax Administration Chamber in Poznań, after considering the appeal of Eurocash S.A., revoked the entire decision of the Head of the Wielkopolska Customs and Tax Office in Poznań and referred the case for reconsideration. As a result, as at 30 June 2020, the Management Board of the Company has no confirmation for creating of any provisions due to these interpretations.

On 28 February 2018, the Head of the Customs and Revenue Office for Wielkopolska Region in Poznań initiated an audit of corporate income tax for 2016. As at 24 August, the audit was not completed.

On 17 December 2019, the Head of the Customs and Revenue Office for Wielkopolska Region in Poznań initiated a customs and tax audit in the area of corporate income tax for 2014 and 2015. As at 24 August 2020, the above-mentioned controls were not completed

NOTE 3.

THE DAMAGE SUFFERED BY THE COMPANY AS A RESULT OF THE ACTIVITIES OF EXTERNAL ENTITIES PARTICIPATING IN THE VAT FRAUD MECHANISM

The audit of VAT settlements by the Eurocash Group companies did not reveal any irregularities of a nature identical to the irregularities disclosed in 2017. Despite the above, taking into account the turnover of the remaining companies of the Group, gained on transactions concerning intra-Community delivery of goods, the risks associated with such potential irregularities are not material.

Eurocash S.A. stopped execution of such transactions concerning intra-Community delivery of goods.

On 30 January 2018, the Prosecutor of the Regional Prosecutor's Office in Poznań commenced the investigation of the notification of 24 August 2017.

On 6 April 2020, the prosecutor of the Regional Prosecutor's Office in Poznań in the case of RP II Ds. 4.2016, issued pursuant to art. 24 § 1 of the Fiscal Penal Code, decision to draw Eurocash S.A. to liability in the event of a fine for threatening a former employee of the Company and the obligation to return the financial benefit. Following this decision, the prosecutor, on the same day, issued a decision to secure on Eurocash's property the execution of a potential judgment against a former employee. The security was made by seizing the amount of PLN 65,889,015, which previously - on 24 August 2017 - was paid by the Company to the bank account of the Head of the First Wielkopolski Tax Office in Poznań.

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As a result of a complaint submitted by the Company on 22 July 2020, the District Court in Poznań revoked the decision on the security. Thus, the security collapsed.

NOTE 4.

EXPLANATIONS TO SEPARATE INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION

Financial costs

The increase in financial costs in the first half of 2020 comparing to the first half of 2019 was mainly due to valuation of liabilities in foreign currencies in relation to the application of IFRS 16 (the impact of IFRS 16 on consolidated financial costs in first half of 2020 was PLN 14.9 m).

The shares in the subsidiary were written down in the amount of PLN 25 million.

Income tax

The effective tax rate equals 57%. It is influenced by permanent differences being the balance sheet cost, but excluded from tax costs in the amount of approximately PLN 8,7 million.

Intangible assets and tangible fixed assets

Expenses for the purchase of intangible assets and tangible fixed assets are recognized in cash flows under expenses and income for intangible assets and tangible assets.

In the reporting period, the Company did not have losses due to impairment of financial assets, tangible fixed assets, intangible assets or other assets.

Investments in subsidiaries and associates

In June 2020, the Company purchased the remaining shares in Frisco S.A. From that period, investments were reclassified from associates accounted in the equity method to investments in subsidiaries.

In June 2020, the Company also purchased the remaining 50% of shares in companies FHC2 and Madas.

INVESTMENTS IN SUBSIDIARIES IN THE PERIOD FROM 01.01 TO 30.06.2020

	as at 30.06.2020	as at 31.12.2019
Opening balance	1 371 611 616	1 291 451 999
Increase in reporting period, due to	201 709 263	82 831 511
purchase of an organized part of the enterprise	-	4 580 807
acquisition of entities	176 939 369	73 155 704
increase of share capital in subsidiaries	-	5 095 000
settlement of share purchase and sale transactions	24 769 895	-
Decrease in reporting period, due to:	(25 000 000)	(2 671 893)
sale of shares in subsidiaries	-	(2 671 893)
write-off on shares in a subsidiary	(25 000 000)	-
Closing balance	1 548 320 880	1 371 611 616

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INVESTMENTS IN ASSOCIATES AS AT 30.06.2020

	as at 30.06.2020	as at 31.12.2019
Opening balance	42 793 026	40 586 757
Increase in reporting period, due to:	6 628 000	2 206 268
acquisition of shares in associates	6 628 000	2 206 268
Decrease in reporting period, due to:	(44 830 186)	-
acquisition of remaining shares in the associate	(44 830 186)	-
Closing balance	4 590 840	42 793 026

The analysis of the potential impairment of investments in subsidiaries is presented in Note 1 Impairment tests.

Income tax receivables

Income tax receivables results from the overpayment of simplified advances (calculated in the amount of 1/12 of the output tax shown in the annual tax document for 2018) over the current tax for 2020.

Other short-term financial assets

In April 2020, the loan granted to the subsidiary Delikatesy Centrum Sp. z o.o. was paid off.

Inventories

The value of inventories as at 30 June 2020 is comparable to their balance as at 31 December 2019. The values of the write-off of inventories are presented below.

WRITE-OFF OF INVENTORIES IN THE PERIOD FROM 01.01 TO 30.06.2020

	for the period from 01.01.2020 to 30.06.2020	for the period from 01.01.2019 to 31.12.2019
Opening balance	17 755 932,69	11 120 461,57
- increase *	3 518 898,43	6 635 471,12
- decrease *	-	-
Closing balance	21 274 831,12	17 755 932,69

* net value

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Trade receivables

The company makes write-offs of receivables in relation to the expected credit losses, which result directly from the risk of each client and are calculated on the basis of models taking into account e.g.: payment history, type of business, geolocation, cooperation evaluation and financial data. In 2020, the analysis showed that the write-off calculated in accordance with the expected credit loss model is highly correlated in terms of value with the amount of the write-off made in accordance with the principle of significantly overdue receivables.

Court cases are covered by a 100% write-off. There were no major cases in the first half of the year. The financial capacity of the Company's recipients in connection with Covid-19 was further analyzed. As a result, the Company decided to create an additional provision in the amount of PLN 2.3 million.

Aging of trade receivables

	Trade receivables gross value 30.06.2020	Trade receivables gross value 31.12.2019
current	1 001 499 981	974 542 822
1-30 days	45 700 594	111 368 303
31-90 days	34 153 109	19 305 210
91-180 days	9 142 108	8 368 483
> 180 days	34 989 686	47 145 309
	1 125 485 477	1 160 730 127

Write-off of trade receivables as at 30.06.2020

	for the period from 01.01.2020 to 30.06.2020	for the period from 01.01.2019 to 31.12.2019
Opening balance	38 655 791	39 302 584
Increase *	2 110 692	-
Decrease *	-	(646 793)
Closing balance	40 766 483	38 655 791

* net value

Valuation equity of hedging transactions

The Group uses hedging instruments for cash flow connected with interest-bearing liabilities. Future loans are also hedged. The instrument hedging the expert opinion against the interest risk is the interest Rate Swap transaction, within the Group exchanges of payable payments flow with a variable WIBOR 1M into payments with a fixed interest rate. The Company choose designated instruments as hedging instruments in the amount of the hedge and recognizes them in accordance with the hedge accounting regulations

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The change in the fair value of cash flow hedges recognized in equity is presented below:

	6 months ended 30.06.2020	Year ended 31.12.2019
Opening balance	(842 825)	(4 196 065)
Effective part of the profit / loss on the hedging instrument	(26 043 774)	3 353 240
Amounts charged to the profit and loss account, including:	-	-
- interest expense adjustment	-	-
- hedge ineffectiveness adjustment	-	-
Closing balance	(26 886 599)	(842 825)
Deferred tax asset recognized in the revaluation reserve	5 108 454	160 137
Closing balance including deferred tax	(21 778 145)	(682 688)

Trade liabilities

Eurocash made the assessment of the liabilities covered by reverse factoring and based on this judgment classified liabilities under reverse factoring as a trade liabilities, as there were no significant changes in the nature of these liabilities, in particular significant changes in the terms of payment, as a result of submitting the given factoring obligations. As part of the balance of trade payables as at 30 June 2020, the value of balances covered by the supplier financing program was recognized in the amount of PLN 1,242,467,921 while as at 31 December 2019 the corresponding value of balances was PLN 1,274,689,086.

Aging of trade liabilities is presented below.

	30.06.2020	31.12.2019
current	2 769 351 725	2 809 068 281
1-30 days	11 569 217	52 134 415
31-90 days	3 415 687	8 877 851
91-180 days	-	901 316
> 180 days	-	-
	2 784 336 630	2 870 981 863

NOTE 5.

TRANSACTIONS WITH SUBSIDIARIES

Transactions with related entities did not differ from market conditions and did not differ in type from transactions concluded in previous reporting periods.

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 6.

ITEMS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

BANK GUARANTEES AS AT 30.06.2020

		Currency	as at	as at
The issuer	Title		30.06.2020	31.12.2019
1 Bank 1	Security of rent liabilities *	PLN	2 135 546	-
2 Bank 2	Security of rent liabilities *	PLN	8 478 430	663 689
3 Bank 3	Security of rent liabilities *	PLN	26 767 376	20 503 630
4 Bank 4	Security of excise duty	PLN	500 000	500 000
5 Bank 5	Security of payments to suppliers	PLN	-	10 000 000
6 Bank 6	Security of payments to suppliers *	PLN	9 134 976	10 839 796
7 Bank 7	Security of rent liabilities *	PLN	-	6 847 771
8 Bank 8	Security of payments to suppliers	PLN	35 000 000	30 500 000
9 Bank 9	Security of payments to suppliers *	PLN	8 932 000	8 517 000
10 Bank 10	Security for using of the national roads	PLN	620 100	620 100
11 Bank 11	Security of rent liabilities *	PLN	-	314 445
12 Bank 12	Security of payments to suppliers *	PLN	1 116 500	1 064 625
13 Bank 13	Security of payments to suppliers	PLN	21 000 000	15 500 000
14 Bank 14	Security of liabilities due to proper execution of the agreement *	PLN	8 875 182	-
			122 560 111	105 871 056

* Guarantees in EUR are translated into PLN at the average exchange rate of NBP:
as at 31.12.2019; 1 EUR=4,2585 PLN,
as at 30.06.2020; 1 EUR=4,4660 PLN

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SECURITIES RELATED TO ASSETS AS AT 30.06.2020

Title	Secured property	as at 30.06.2020	as at 31.12.2019
Security on the credit line agreement Bank 1 **	Pledge on inventories	90 000 000	90 000 000
Security on the credit line agreement Bank 2 **	Pledge on inventories of Eurocash S.A.	88 000 000	88 000 000
Security on the consolidated loan agreement **	Pledge on shares in Eurocash Serwis Sp. z o.o.	9 547 300	9 547 300
Security on the consolidated loan agreement **	Pledge on shares in Eurocash Franczyza Sp. z o.o.	3 800 000	3 800 000
Security on the consolidated loan agreement **	Pledge on shares in Ambra S.A.	8 000 000	8 000 000
Security on the credit line agreement EBOR *	Mortgage on 13 properties	333 750 000	-
Finance lease agreement (at the net value of property, plant and equipment as at the balance sheet date)	Ownership of fixed assets in financial leasing	501 095	677 424

* as at 30.06.2020 the registration position in Land and mortgage register is not legal valid

** security nominal value

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONTINGENTIES AS AT 30.06.2020

				as at	as at
Beneficiary		Title	Currency	30.06.2020	31.12.2019
1	Bank 1 **	Surety for companies from the Eurocash Group regarding the cash pool agreement in the amount of the granted credit limit	PLN	2 100 000 000	2 100 000 000
2	Bank 2 **	Surety for companies from the Eurocash Group regarding the cash pool agreement in the amount of the granted credit limit	PLN	3 144 480 000	3 144 480 000
3	Bank 3 ***	Surety for the obligations due to the "Franchise partners financing program" for the Franchisee Delikatesy Centrum"	PLN	1 090 068	1 808 658
4	Bank 4 ***	Surety for Eurocash Serwis Sp. z o.o. liabilities due to lease agreement	PLN	1 518 649	1 932 201
5	Bank 4 ***	Surety for Partnerski Serwis Detaliczny S.A. liabilities due to lease agreement	PLN	57 843	58 626
6	Bank 5 **	Surety for Eurocash Serwis Sp. z o.o. liabilities due to factoring agreement	PLN	300 000 000	300 000 000
7	Bank 6 **	Surety for Eurocash Serwis Sp. z o.o. liabilities due to Loan Agreement in Current Account	PLN	165 000 000	165 000 000
8	Bank 7 **	Surety for Eurocash Serwis Sp. z o.o. liabilities due to factoring agreement	PLN	50 000 000	50 000 000
9	Bank 8 **	Surety for credit in Frisco S.A.	PLN	15 000 000	7 318 723
10	Bank 4 ***	Surety for Frisco S.A. liabilities due to lease agreement	PLN	22 757 036	24 114 555
11	Company 1 **	Surety for trade liabilities of Eurocash Serwis Sp. z o.o.	PLN	1 000 000	1 000 000
12	Company 2 **	Surety for trade liabilities of ABC Na Kolach Sp. z o.o.	PLN	200 000	200 000
13	Company 3 **	Surety for trade liabilities of ABC Na Kolach Sp. z o.o.	PLN	300 000	-
14	Bank 9 **	Surety for companies from the Group due to factoring agreement	PLN	300 000 000	300 000 000
15	Company 4 **	Surety for liabilities of PayUp Polska Sp. z o.o.	PLN	-	3 000 000
16	Company 5 **	Surety for rent liabilities of Frisco S.A.	PLN	21 382 786	20 389 296
17	Bank 8 **	Surety for factoring liabilities of Frisco S.A.	PLN	2 000 000	1 000 000
18	Company 6 **	Surety for trade liabilities of Mila S.A.	PLN	-	2 500 000
19	Company 7 **	Surety for trade liabilities of Frisco S.A.	PLN	2 050 000	-
				6 126 836 381	6 122 802 058

** nominal value

*** debt value as at balance sheet date

Contingences securing cash pool agreements, credit agreements, factoring agreements, commercial and rental agreements were presented at nominal values, while contingences securing lease agreements and franchisees financing program were presented according to the value of debt as at the balance sheet date.

As at 30 June 2020 contingences of Eurocash S.A. by debt value, amounted to PLN 885.6 million, while as at 31.12.2019 - PLN 663.4 million

<i>Condensed interim separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>01.01-30.06.2020</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

NOTE 7.

IMPORTANT EVENTS DURING THE PERIOD COVERED BY THE FINANCIAL STATEMENTS

There were no significant events during the period covered by the financial statements, influencing the activity of the Company, apart from those disclosed in the financial statements.

COVID-19

In March 2020, SARS-CoV-2 coronavirus and its disease, referred to as the COVID-19, has started to spread out as a pandemic. Due to this fact, a number of preventive actions were taken to limit the spread in many countries, Poland among them. In the second half of March 2020, bans and restrictions has been introduced, among others, on conducting certain types of businesses, while recommending staying at home and working remotely. As at today, due to stabilization of the situation, previously recommended bans and restrictions are gradually deleted, however there are regions in country were part of restrictions were reset. The Company constantly monitors the situation and complies with the recommendations of the Chief Sanitary Inspector and other authorities in Poland. The Company activities to date have focused primarily on introducing recommendations of sanitary services aimed at limiting the spread of COVID-19 and ensuring, to the greatest extent possible, the safety of employees while allowing them uninterrupted work. Subsequently, the Company focused on minimizing the effects of the negative impact of COVID-19, primarily in terms of sales. The costs incurred by the Company to date related to the COVID-19 pandemic were in the area of HR and administration.

The possible development of an epidemic in Poland may have a negative impact on the Company operating activities and the production capacity of suppliers or the volume of sales of recipients. Considering the above-mentioned circumstances, the Management Board has analyzed the possible impact of the indicated situation on the financial results of the Company. Based on the analysis carried out, the Management Board did not identify any threats to the Company functioning in the future. The analysis has been prepared in accordance with the best knowledge, however the magnitude and effects of COVID-19 in the future are being impossible to quantify fully as at today and depend on factors that are beyond the influence and control of the Company.

Detailed information on the impact of Covid -19 and what analyzes that the Management Board carried out in connection with it are included in the note 1 and 4 in this report.

NOTE 8.

SIGNIFICANT EVENTS AFTER THE PERIOD COVERED BY THE FINANCIAL STATEMENTS

There were no significant events after the period covered by the financial statements, influencing the activity of the Company.

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-30.06.2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President of the Management Board	Luis Amaral	24 th August 2020	
Management Board Member	Rui Amaral	24 th August 2020	
Management Board Member	Arnaldo Guerreiro	24 th August 2020	
Management Board Member	Pedro Martinho	24 th August 2020	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	24 th August 2020	
Management Board Member Financial Director	Jacek Owczarek	24 th August 2020	
Management Board Member	Przemysław Ciaś	24 th August 2020	
Management Board Member	Noel Collett	24 th August 2020	

EUROCASH GROUP S.A.

REPORT OF THE MANAGEMENT BOARD

FOR THE PERIOD FROM 1st JANUARY 2020 TO 30th JUNE 2020

TRANSLATORS' EXPLANATORY NOTE

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

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

KOMORNIKI, 24th August 2020

REPORT OF THE MANAGEMENT BOARD

1. Eurocash Group - overview

EUROCASH Group is one of the largest Fast Moving Consumer Goods (FMCG) distributors in Poland. Eurocash Group concentrates on wholesale supply of FMCG to a broad range of traditional retailers across the whole country in particular to independent retail stores throughout Poland. Additionally to ensure scale that support clients, Eurocash runs own retail stores.

Below we present the basic financial and operating data of the Eurocash Group broken down into the following segments and distribution formats:

Wholesale – wholesale distribution formats:

- **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 firms belonging to Alcohol Distribution);
 - companies organizing or supporting franchise chains of retail shops: Euro Sklep S.A., Groszek Sp. z o.o., 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.;
- **Cash&Carry** – a national network of discount Cash & Carry type warehouses under the “Eurocash Cash & Carry” brand, as part of which the loyalty program for the “abc” network of stores operates;
- **Tobacco & Impulse** – active distribution of tobacco products and fast moving consumer goods through Eurocash Serwis Sp. z o.o.;
- **Eurocash Food Service** – supplies for restaurant chains, hotels and independent food outlets;
- **Other** – sales revenue of 4Vapers Sp. z o.o. and Cerville Investments Sp. z o.o.

Retail – retail sales of Eurocash Group and wholesale sales of Eurocash to Delikatesy Centrum franchisees:

- **Delikatesy Centrum franchise stores** – a franchise system for retail stores operating under the brand “Delikatesy Centrum”;
- **Own supermarkets, consisting of:**
 - **Delikatesy Centrum own retail stores** – own retail stores operating by companies that Eurocash hold 100% of shares: FHC-2 Sp. z o.o., Madas Sp. z o.o., Delikatesy Centrum Sp. z o.o., Podlaskie Delikatesy Centrum Sp. z o.o. and company where Eurocash hold 50% of shares: Firma Rogala Sp. z o.o.;
 - **EKO** – own retail stores under brand Delikatesy Centrum, Lewiatan and EKO operated by Delikatesy Centrum Sp. z o.o.;
 - **Mila & Others** – own retail stores under brand Mila operated by Delikatesy Centrum Sp. z o.o. and under brand Lewiatan operated by Partner Sp. z o.o.;
- **Inmedio** – press retail kiosks under Inmedio and Inmedio Trendy brand.

EUROCASH GROUP – CONSOLIDATED SEMI-ANNUAL REPORT 2020	Page 2
REPORT OF THE MANAGEMENT BOARD	

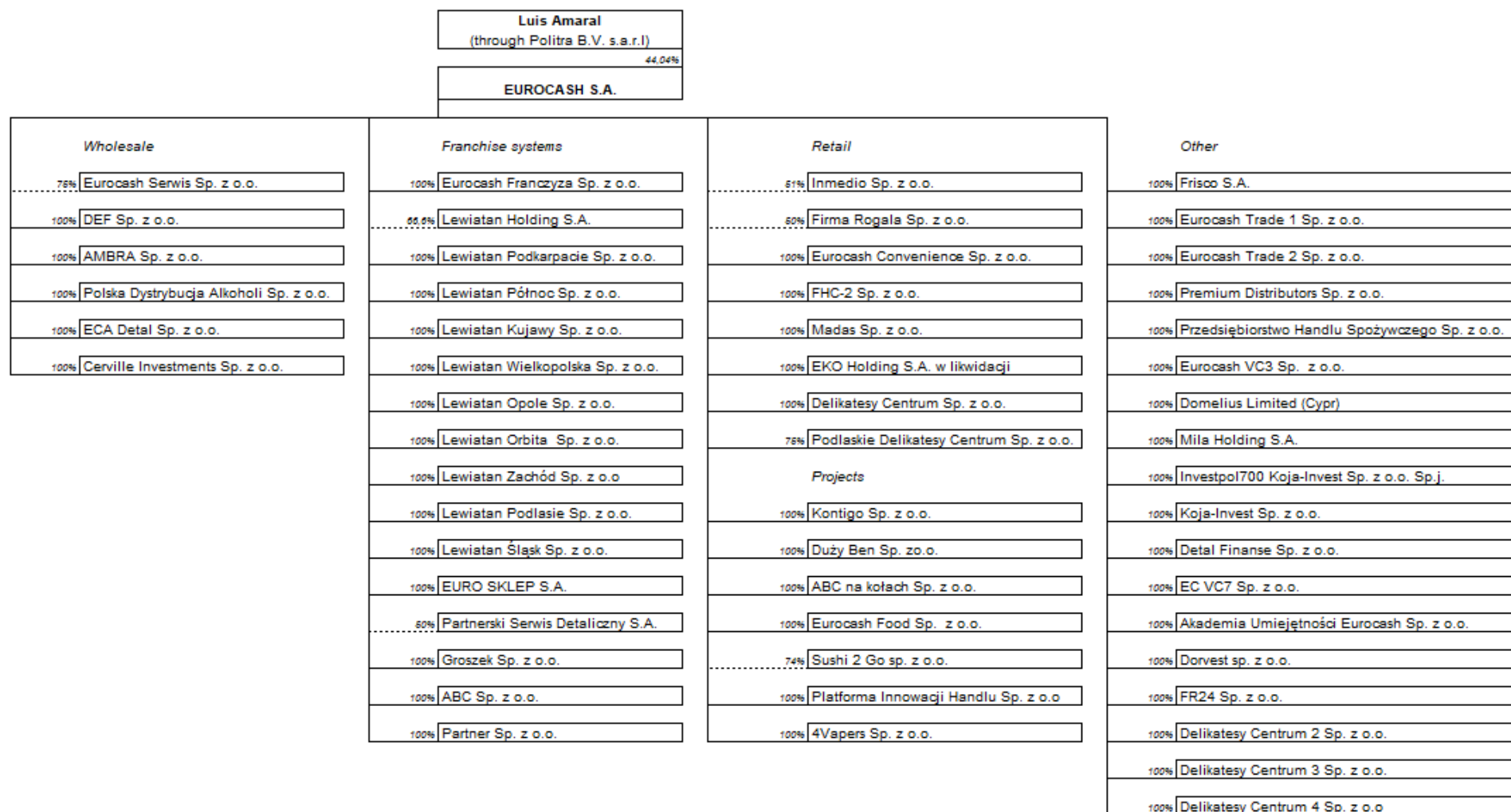
Projects – sales revenue of new projects running by Eurocash S.A. and its subsidiaries: Kontigo Sp. z o.o., ABC na kołach Sp. z o.o., Duży Ben Sp. z o.o., Sushi 2 Go Sp. z o.o.

Others – sales revenue and costs of other companies through Eurocash Trade 1 Sp. z o.o., Eurocash Trade 2 Sp. z o.o., Eurocash VC3 Sp. z o.o., Akademia Umiejętności Eurocash Sp. z o.o. and Central Head Office costs consolidation not related to any of above segment.

The business of Eurocash Group is focused on the territory of Poland.

2. The structure of the Eurocash Group and its affiliated companies

The diagram below presents the structure of the Eurocash Group and its subsidiaries as at June 30th 2020:



3. Summary of financial and operational results of Eurocash Group in 2Q 2020 and 1H 2020

Profit & loss account

Table 1: Eurocash Group: Summary of consolidated financial results for 2Q 2020

	2Q 2020	2Q 2019	Change %
PLN m			
Sales revenues (traded goods, materials)	6 196.27	6 438.23	-3.76%
Gross profit (loss) on sales	842.51	844.10	-0.19%
Gross profitability on sales (%)	13.60%	13.11%	0.49 p.p.
EBITDA	210.46	216.16	-2.63%
(EBITDA margin %)	3.40%	3.36%	0.04 p.p.
EBIT	72.18	81.41	-11.33%
(EBIT margin %)	1.16%	1.26%	-0.1 p.p.
Gross profit	53.83	56.35	-4.47%
Net Income	41.84	46.90	-10.78%
(Net profitability %)	0.68%	0.73%	-0.05 p.p.

Table 2: Eurocash Group: Summary of consolidated financial results for 1H 2020

	1H 2020	1H 2019	Change %
PLN m			
Sales revenues (traded goods, materials)	12 115.37	11 921.17	1.63%
Gross profit (loss) on sales	1 630.13	1 550.14	5.16%
Gross profitability on sales (%)	13.46%	13.00%	0.45 p.p.
EBITDA	336.63	337.52	-0.26%
(EBITDA margin %)	2.78%	2.83%	-0.05 p.p.
EBIT	61.77	71.72	-13.86%
(EBIT margin %)	0.51%	0.60%	-0.09 p.p.
Gross profit	(11.72)	18.90	-162.03%
Net Income	(20.16)	6.73	-399.44%
(Net profitability %)	-0.17%	0.06%	-0.22 p.p.

Consolidated sales of Eurocash Group in 2Q 2020 amounted to PLN 6 196.27 m, which means a decrease of 3.76% YoY. In 1H 2020, consolidated sales reached PLN 12 115.37 m compared to PLN 11 921.17 m in 1H 2019, which shows an increase of 1.63%. Eurocash Group sales growth was mainly driven by the Tobacco business as well as sales of Delikatesy Centrum own and franchise stores. Weaker dynamics of wholesale sales growth was caused by the lack of contract with Orlen in 2020 and lower demand from petrol stations. Wholesale sales to independent stores and franchisees retained the previous dynamic and strongly supported result of the segment.

Consolidated gross profitability of Eurocash Group amounted to 13.60% in 2Q 2020 and increased by 0.49 p.p. YoY. In 1H 2020, the gross profitability increased by 0.45 p.p. YoY and amounted to 13.46%.

Consolidated EBITDA of Eurocash Group in 2Q 2020 amounted to PLN 210.46 m. Consolidated EBITDA of Eurocash Group in 1H 2020 amounted to PLN 336.63 m. Eurocash Group net profit in 2Q 2020 amounted to PLN 41.84 m. Eurocash Group net profit in 1H 2020 reached PLN -20.16 m. Decline in EBITDA was impacted by additional costs related to COVID-19.

Sales by format

Table 3: Eurocash Group: Sales of goods dynamics by distribution format for 2Q 2020

PLN m	2Q 2020	2Q 2019	Change %
Wholesale	4 657.13	4 886.50	-4.69%
Cash&Carry	1 224.85	1 221.43	0.28%
Tobacco	1 735.74	1 723.78	0.69%
Distribution	1 660.26	1 806.23	-8.08%
Food Service	31.26	132.73	-76.45%
Other	5.02	2.33	115.44%
Retail	1 476.95	1 498.51	-1.44%
Delikatesy Centrum Franchise	593.87	553.40	7.31%
Supermarkets Own	810.57	824.58	-1.70%
Inmedio	72.50	120.53	-39.85%
Projects	44.47	23.27	91.06%
Eurocash Group	6 178.55	6 408.29	-3.59%

Table 4: Eurocash Group: Sales of goods dynamics by distribution format for 1H 2020

PLN m	1H 2020	1H 2019	Change %
Wholesale	9 019.44	8 994.66	0.28%
Cash&Carry	2 304.80	2 216.56	3.98%
Tobacco	3 412.20	3 174.56	7.49%
Distribution	3 206.22	3 355.70	-4.45%
Food Service	87.91	243.28	-63.87%
Other	8.31	4.56	82.27%
Retail	2 963.40	2 825.92	4.87%
Delikatesy Centrum Franchise	1 153.12	1 046.07	10.23%
Supermarkets Own	1 627.09	1 549.74	4.99%
Inmedio	183.19	230.10	-20.39%
Projects	82.51	39.00	111.54%
Eurocash Group	12 065.36	11 859.59	1.74%

Wholesale:

- In 2Q 2020 external sales of goods in Wholesale segment amounted to PLN 4 657.13 m and decreased by 4.7% comparing with 2Q 2019. In 1H 2019 sales amounted to PLN 9 019.44 m and increased by 0.28% YoY. Eurocash Food Service and Eurocash Distribution had the greatest impact on the decline in 2Q. Weaker dynamics of wholesale sales growth was caused by the lack of contract with Orlen in 2020 and lower demand from petrol stations. Wholesale sales to independent stores and franchisees retained the previous dynamic and strongly supported result of the segment.
- EBITDA of the Wholesale segment amounted in 2Q 2020 to PLN 168.81 m. EBITDA of the Wholesale segment amounted in 1H 2020 to PLN 276.89 m.
- LFL sales growth (same number of stores) in Eurocash Cash&Carry stores in 2Q 2020 amounted to positive 0.28% and 3.98% in 1H 2020.
- The number of Eurocash Cash&Carry stores at the end of 1H 2020 has not changed and amounted to 180.
- The number of abc stores amounted to 8 964 at the end of 1H 2020, 211 more than a year ago.

- Number of partnership or franchise stores organized by companies belonging to Eurocash Group (Groszek, Euro Sklep, Lewiatan and PSD) amounted to 5 167 stores as of the end of 2Q 2020, which means an increase by 127 stores comparing to 1H 2019.
- Sales of cigarettes Tobacco & Impulse distribution format in terms of volume amounted in 2Q 2020 to 2 609 m pieces and decreased by 0.92% YoY. In 1H 2020 sales exceeded the volume of 5 210 m units and decreased by 3.44%.
- Sales of cigarettes in terms of value decreased by 3.1% in 2Q 2020 and increased by 4.7% in 1H 2020 YoY.

Retail:

- Sales of goods realized by Retail segment in 2Q 2020 amounted to PLN 1 476.95 m and decreased by 1.44% YoY. In 1H 2020 sales amounted to PLN 2 963.40 m and increased by 4.87% YoY. Main driver of sales growth was further development of Delikatesy Centrum Franchise and Supermarkets Own formats.
- EBITDA of the Retail segment amounted in 2Q 2020 to PLN 81.68 m. EBITDA of the Retail segment amounted in 1H 2020 to PLN 141.79 m. Decline in EBITDA was impacted by additional costs related to COVID-19.
- LFL growth of wholesale sales realized by Eurocash to "Delikatesy Centrum" franchise stores amounted to 7.54% in 2Q 2020 and increased by 10.00% in 1H 2020.
- LFL growth of retail sales of "Delikatesy Centrum" franchise stores amounted to 1.09% in the 2Q 2020 and 5.86% in 1H 2020.
- LFL dynamic of retail sales in 2Q 2020 amounted in Inmedio stores to -27.23% YoY and -17.87% in the 1H 2020 YoY.
- Number of Small Supermarkets at the end of 2Q 2020 amounted to 1 563, including 974 Franchise stores and 589 Own stores. Total number of Small Supermarkets increased by 5 stores in 2Q 2020 YoY.
- Number of total "Delikatesy Centrum" stores at the end of 2Q 2020 amounted to 1 347.
- Number of Inmedio stores at the end of 2Q 2020 amounted to 436 stores.

Projects

- Sales of goods realized by Projects segment in 2Q 2020 amounted to PLN 44.47 m comparing to PLN 23.27 m in 2Q 2019. In 1H 2020 sales amounted to PLN 82.51 m comparing to 39.00 m in 1H 2019.
- EBITDA of Projects segment amounted in 2Q 2020 to PLN -7.19 m. EBITDA of Projects segment amounted in 1H 2020 to PLN -21.39 m.

Others

- EBITDA of Others segment amounted in 2Q 2020 to PLN -32.83 m. EBITDA of Others segment amounted in 1H 2020 to PLN -60.66 m.

Operating segments

Below we present quarter results of each segment for years 2019-2020 according to definition of segments implemented in 2018.

Table 5: Eurocash Group: Operating segments results in 2020 (IFRS16)

1Q 2020 (PLN m)	Wholesale	Retail	Projects	Other	Total
Sales revenues (traded goods)	4 362.31	1 486.46	38.04	0.00	5 886.81
EBIT	45.24	-5.52	-18.70	-31.42	-10.41
<i>(EBIT margin %)</i>	<i>1.04%</i>	<i>-0.37%</i>	<i>-49.17%</i>	<i>0.00%</i>	<i>-0.18%</i>
EBITDA	108.08	60.12	-14.20	-27.83	126.16
<i>(EBITDA margin %)</i>	<i>2.48%</i>	<i>4.04%</i>	<i>-37.33%</i>	<i>0.00%</i>	<i>2.14%</i>
2Q 2020 (PLN m)	Wholesale	Retail	Projects	Other	Total
Sales revenues (traded goods)	4 657.13	1 476.95	44.47	0.00	6 178.55
EBIT	108.01	16.05	-14.70	-37.17	72.18
<i>(EBIT margin %)</i>	<i>2.32%</i>	<i>1.09%</i>	<i>-33.06%</i>	<i>0.00%</i>	<i>1.17%</i>
EBITDA	168.81	81.68	-7.19	-32.83	210.46
<i>(EBITDA margin %)</i>	<i>3.62%</i>	<i>5.53%</i>	<i>-16.17%</i>	<i>0.00%</i>	<i>3.41%</i>

Table 6: Eurocash Group: Operating segments results in 2020 YTD (IFRS16)

1Q 2020 (PLN m)	Wholesale	Retail	Projects	Other	Total
Sales revenues (traded goods)	4 362.31	1 486.46	38.04	0.00	5 886.81
EBIT	45.24	-5.52	-18.70	-31.42	-10.41
<i>(EBIT margin %)</i>	<i>1.04%</i>	<i>-0.37%</i>	<i>-49.17%</i>	<i>0.00%</i>	<i>-0.18%</i>
EBITDA	108.08	60.12	-14.20	-27.83	126.16
<i>(EBITDA margin %)</i>	<i>2.48%</i>	<i>4.04%</i>	<i>-37.33%</i>	<i>0.00%</i>	<i>2.14%</i>
2Q 2020 (PLN m)	Wholesale	Retail	Projects	Other	Total
Sales revenues (traded goods)	9 019.44	2 963.40	82.51	0.00	12 065.36
EBIT	153.25	10.52	-33.41	-68.59	61.77
<i>(EBIT margin %)</i>	<i>1.70%</i>	<i>0.36%</i>	<i>-40.49%</i>	<i>0.00%</i>	<i>0.51%</i>
EBITDA	276.89	141.79	-21.39	-60.66	336.63
<i>(EBITDA margin %)</i>	<i>3.07%</i>	<i>4.78%</i>	<i>-25.93%</i>	<i>0.00%</i>	<i>2.79%</i>

Table 7: Eurocash Group: Operating segments results in 2019 (IFRS16)

1Q 2019 (PLN m)	Wholesale	Retail	Projects	Other	Total
Sales revenues (traded goods)	4 108.16	1 327.40	15.73	0.00	5 451.30
EBIT	32.52	-5.99	-12.75	-23.47	-9.69
<i>(EBIT margin %)</i>	<i>0.79%</i>	<i>-0.45%</i>	<i>-81.06%</i>	<i>0.00%</i>	<i>-0.18%</i>
EBITDA	96.35	56.40	-10.73	-20.65	121.37
<i>(EBITDA margin %)</i>	<i>2.35%</i>	<i>4.25%</i>	<i>-68.23%</i>	<i>0.00%</i>	<i>2.23%</i>
2Q 2019 (PLN m)	Wholesale	Retail	Projects	Other	Total
Sales revenues (traded goods)	4 886.50	1 498.51	23.27	0.00	6 408.29
EBIT	106.93	19.95	-11.91	-33.55	81.41
<i>(EBIT margin %)</i>	<i>2.19%</i>	<i>1.33%</i>	<i>-51.19%</i>	<i>0.00%</i>	<i>1.27%</i>
EBITDA	172.39	81.88	-8.81	-29.30	216.16
<i>(EBITDA margin %)</i>	<i>3.53%</i>	<i>5.46%</i>	<i>-37.86%</i>	<i>0.00%</i>	<i>3.37%</i>
3Q 2019 (PLN m)	Wholesale	Retail	Projects	Other	Total
Sales revenues (traded goods)	5 086.89	1 523.23	27.21	0.00	6 637.34
EBIT	108.59	13.02	-11.87	-25.41	84.32
<i>(EBIT margin %)</i>	<i>2.13%</i>	<i>0.85%</i>	<i>-43.62%</i>	<i>0.00%</i>	<i>1.27%</i>
EBITDA	172.15	79.00	-9.09	-22.85	219.20
<i>(EBITDA margin %)</i>	<i>3.38%</i>	<i>5.19%</i>	<i>-33.41%</i>	<i>0.00%</i>	<i>3.30%</i>
4Q 2019 (PLN m)	Wholesale	Retail	Projects	Other	Total
Sales revenues (traded goods)	4 628.88	1 555.66	38.34	0.00	6 222.89
EBIT	110.19	26.51	-16.54	-31.66	88.49
<i>(EBIT margin %)</i>	<i>2.38%</i>	<i>1.70%</i>	<i>-43.14%</i>	<i>0.00%</i>	<i>1.42%</i>
EBITDA	179.54	93.82	-11.60	-24.40	237.35
<i>(EBITDA margin %)</i>	<i>3.88%</i>	<i>6.03%</i>	<i>-30.26%</i>	<i>0.00%</i>	<i>3.81%</i>

Table 8: Eurocash Group: Operating segments results in 2019 YTD (IFRS16)

1Q 2019 (PLN m)	Wholesale	Retail	Projects	Other	Total
Sales revenues (traded goods)	4 108.16	1 327.40	15.73	0.00	5 451.30
EBIT	32.52	-5.99	-12.75	-23.47	-9.69
<i>(EBIT margin %)</i>	0.79%	-0.45%	-81.06%	0.00%	-0.18%
EBITDA	96.35	56.40	-10.73	-20.65	121.37
<i>(EBITDA margin %)</i>	2.35%	4.25%	-68.23%	0.00%	2.23%
2Q 2019 (PLN m)	Wholesale	Retail	Projects	Other	Total
Sales revenues (traded goods)	8 994.66	2 825.92	39.00	0.00	11 859.59
EBIT	139.45	13.96	-24.67	-57.02	71.72
<i>(EBIT margin %)</i>	1.55%	0.49%	-63.24%	0.00%	0.60%
EBITDA	268.74	138.27	-19.54	-49.95	337.52
<i>(EBITDA margin %)</i>	2.99%	4.89%	-50.10%	0.00%	2.85%
3Q 2019 (PLN m)	Wholesale	Retail	Projects	Other	Total
Sales revenues (traded goods)	14 081.56	4 349.15	66.22	0.00	18 496.92
EBIT	248.03	26.98	-36.54	-82.44	156.04
<i>(EBIT margin %)</i>	1.76%	0.62%	-55.18%	0.00%	0.84%
EBITDA	440.89	217.27	-28.63	-72.80	556.73
<i>(EBITDA margin %)</i>	3.13%	5.00%	-43.24%	0.00%	3.01%
4Q 2019 (PLN m)	Wholesale	Retail	Projects	Other	Total
Sales revenues (traded goods)	18 710.44	5 904.81	104.56	0.00	24 719.81
EBIT	358.22	53.48	-53.08	-114.10	244.52
<i>(EBIT margin %)</i>	1.91%	0.91%	-50.76%	0.00%	0.99%
EBITDA	620.43	311.09	-40.24	-97.20	794.08
<i>(EBITDA margin %)</i>	3.32%	5.27%	-38.48%	0.00%	3.21%

Cash flow**Table 9: Eurocash Group: Consolidated cash flows for 2Q 2020**

	2Q 2020	2Q 2019
PLN m		
Operating cash flow	260.24	394.29
<i>Gross profit (loss)</i>	53.83	56.35
<i>Depreciation</i>	138.28	134.75
<i>Change in working capital</i>	93.68	234.18
<i>Other</i>	(25.55)	(30.99)
Cash flow from investments	(167.26)	(56.33)
Cash flow from financing activities	(12.49)	(304.32)
Total cash flow	80.49	33.64

Table 10: Eurocash Group: Consolidated cash flows for 1H 2020

	1H 2020	1H 2019
PLN m		
Operating cash flow	220.62	260.36
<i>Gross profit (loss)</i>	(11.72)	18.90
<i>Depreciation</i>	274.86	265.81
<i>Change in working capital</i>	(19.08)	1.33
<i>Other</i>	(23.43)	(25.67)
Cash flow from investments	(225.88)	(179.77)
Cash flow from financing activities	60.81	(79.63)
Total cash flow	55.55	0.97

Total cash flow in 2Q 2020 amounted to PLN 80.49 m, while the operating cash flow reached PLN 260.24 m. Cash flow from investments amounted to PLN -167.26 m and cash flow from financing activities amounted in 2Q 2020 to PLN -12.49 m.

Total cash flow in 1H 2020 amounted to PLN 55.55 m, while the operating cash flow reached PLN 220.62 m. Cash flow from investments amounted to PLN -225.88 m and cash flow from financing activities amounted in 1H 2020 to PLN 60.81 m.

Working capital**Table 11: Eurocash Group: Consolidated working capital ratios flow for 2Q 2020**

Turnover in days	2Q 2020	2Q 2019
1. Inventories turnover	19.80	19.58
2. Trade receivables turnover	21.22	22.69
3. Trade liabilities turnover	(66.66)	(67.80)
4. Operating cycle (1+2)	41.02	42.27
5. Cash conversion (4+3)	(25.64)	(25.54)

Table 12: Eurocash Group: Consolidated working capital ratios flow for 1H 2020

Turnover in days	1H 2020	1H 2019
1. Inventories turnover	20.25	21.03
2. Trade receivables turnover	21.71	24.37
3. Trade liabilities turnover	(68.07)	(72.75)
4. Operating cycle (1+2)	41.96	45.41
5. Cash conversion (4+3)	(26.11)	(27.34)

Cash conversion in 2Q 2020 reached -25.64 days comparing with -25.54 days in 2Q 2019. In 1H 2020 cash conversion cycle amounted to -26.11 days compared to -27.34 days in 1H 2019. Change in each position of working capital was related to change in mix of sales i.e. increase of share of tobacco and fresh categories in total sales revenues of the Group.

Statement of the financial position

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

Table 13: Eurocash Group: Selected consolidated balance sheet items

PLN m	30.06.2020		31.12.2019	
Fixed assets	5 055.00	61.25%	4 912.61	62.30%
Current assets	3 197.54	38.75%	2 972.40	37.70%
Total assets	8 252.54	100.00%	7 885.01	100.00%
Equity	914.55	11.08%	963.40	12.22%
Liabilities and provisions	7 337.99	88.92%	6 921.61	87.78%
Total liabilities and equity	8 252.54	100.00%	7 885.01	100.00%

Net debt of Eurocash Group at the end of June 2020 amounted to PLN 2 634.10 m. Before IFRS16 net debt amounted to PLN 818.24 m comparing to PLN 628.20 m at the end of June 2019.

4. Summary of financial results of Eurocash S.A. in 2Q and 1H 2020

Profit & loss account

Table 14: Eurocash S.A.: Summary of financial results for 2Q 2020

	2Q 2020	2Q 2019	Change %
PLN m			
Sales revenues (traded goods, materials)	4 014.53	3 929.77	2.16%
Gross profit (loss) on sales	500.56	474.34	5.53%
Gross profitability on sales (%)	12.47%	12.07%	0.40 p.p.
EBITDA	174.61	122.46	42.58%
(EBITDA margin %)	4.35%	3.12%	1.23 p.p.
EBIT	103.99	52.82	96.89%
(EBIT margin %)	2.59%	1.34%	1.25 p.p.
Gross profit	65.41	46.38	41.03%
Net Income	46.86	35.03	33.77%
(Net profitability %)	1.17%	0.89%	0.28 p.p.

Table 15: Eurocash S.A.: Summary of financial results for 1H 2020

	1H 2020	1H 2019	Change %
PLN m			
Sales revenues (traded goods, materials)	7 758.07	7 308.58	6.15%
Gross profit (loss) on sales	919.04	867.14	5.99%
Gross profitability on sales (%)	11.85%	11.86%	-0.02 p.p.
EBITDA	246.17	196.61	25.21%
(EBITDA margin %)	3.17%	2.69%	0.48 p.p.
EBIT	104.57	60.94	71.59%
(EBIT margin %)	1.35%	0.83%	0.51 p.p.
Gross profit	22.51	34.69	-35.10%
Net Income	9.59	24.51	-60.89%
(Net profitability %)	0.12%	0.34%	-0.21 p.p.

Sales of Eurocash S.A. in 2Q 2020 amounted to PLN 4 014.53 m, which means an increase of 2.16% YoY. In 1H 2020, sales reached PLN 7 758.07 m compared to PLN 7 308.58 m in 1H 2019, which shows an increase of 6.15%.

Consolidated gross profitability of Eurocash S.A. amounted to 12.47% in 2Q 2020 and increased by 0.40 p.p. YoY. In 1H 2020, the gross profitability decreased by 0.02 p.p. YoY and amounted to 11.85%.

In 2Q 2020 EBITDA of Eurocash S.A. amounted to PLN 174.61 m. In 1H 2020 EBITDA of Eurocash S.A. amounted to PLN 246.17 m. The net profit of Eurocash S.A. in 2Q 2020 amounted to PLN 46.86 m. The net profit of Eurocash S.A. in 1H 2020 amounted to PLN 9.59 m.

Cash flow**Table 16: Eurocash S.A.: Cash flow for 2Q 2020**

	2Q 2020	2Q 2019
PLN m		
Operating cash flow	273.15	247.70
<i>Gross profit (loss)</i>	65.41	46.38
<i>Depreciation</i>	70.63	69.65
<i>Change in working capital</i>	128.42	158.01
<i>Other</i>	8.69	(26.34)
Cash flow from investments	(145.19)	(18.21)
Cash flow from financing activities	(54.30)	(214.66)
Total cash flow	73.65	14.83

Table 17: Eurocash S.A.: Cash flow for 1H 2020

	1H 2020	1H 2019
PLN m		
Operating cash flow	164.15	133.22
<i>Gross profit (loss)</i>	22.51	34.69
<i>Depreciation</i>	141.60	135.66
<i>Change in working capital</i>	(28.83)	(7.82)
<i>Other</i>	28.87	(29.31)
Cash flow from investments	(176.10)	(125.59)
Cash flow from financing activities	96.77	(17.82)
Total cash flow	84.82	(10.19)

Total cash flow of Eurocash S.A. in 2Q 2020 amounted to PLN 73.65 m comparing to PLN 14.83 m in 2Q 2019. In 1H 2020 Eurocash S.A. total cash flow reached PLN 84.82 m, while in 1H 2019 it reached level of PLN -10.19 m.

Working capital**Table 18: Eurocash S.A.: Working capital ratios for 2Q 2020**

Turnover in days	2Q 2020	2Q 2019
1. Inventories turnover	17.98	19.22
2. Trade receivables turnover	24.59	29.12
3. Trade liabilities turnover	(72.10)	(82.25)
4. Operating cycle (1+2)	42.57	48.34
5. Cash conversion (4+3)	(29.54)	(33.91)

Table 19: Eurocash S.A.: Working capital ratios for 1H 2020

Turnover in days	1H 2020	1H 2019
1. Inventories turnover	18.61	20.56
2. Trade receivables turnover	25.45	31.14
3. Trade liabilities turnover	(74.10)	(87.76)
4. Operating cycle (1+2)	44.05	51.70
5. Cash conversion (4+3)	(30.04)	(36.06)

Cash conversion of Eurocash S.A. in 2Q 2020 amounted to -29.54 days and in 1H 2020 -30.04 days. In 2Q 2019 cash conversion reached -33.91 days and in 1H 2019 -36.06 days.

Statement of the financial position

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

Table 20: Eurocash S.A.: Selected adjusted balance sheet items

PLN m	30.06.2020		31.12.2019	
Fixed assets	4 619.72	68.97%	4 549.57	68.93%
Current assets	2 078.87	31.03%	2 050.89	31.07%
Total assets	6 698.58	100.00%	6 600.47	100.00%
Equity	1 074.42	16.04%	1 084.10	16.42%
Liabilities and provisions	5 624.16	83.96%	5 516.37	83.58%
Total liabilities and equity	6 698.58	100.00%	6 600.47	100.00%

5. Definitions of the financial ratios

Gross profit margin on sales:	ratio of gross sales profit to net sales revenue
EBITDA margin:	ratio of EBITDA (operating profit plus depreciation) to net sales revenue
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 stocks at the end of period to net sales for period. multiplied by the number of days in the period
Trade receivables turnover:	the ratio of balance of trade receivables at the end of period to net sales for period. multiplied by the number of days in the period
Trade liabilities turnover:	the ratio of balance of trade liabilities at end of period to costs of goods sold for period. multiplied by the number of days in the period
Operating cycle:	the sum of stocks turnover and receivables turnover
Cash conversion cycle:	the difference between operating cycle and liabilities turnover
Net debt:	the sum of long and short term loans, borrowings and financial liabilities lessened by cash and cash equivalents

6. Major events and factors that influenced consolidated income or loss of Eurocash Group in 1H 2020

COVID-19

In March 2020, SARS-CoV-2 coronavirus and its disease, referred to as the COVID-19, has started to spread out as a pandemic. Due to this fact, a number of preventive actions were taken to limit the spread in many countries, Poland among them. In the second half of March 2020, bans and restrictions has been introduced, among others, on conducting certain types of businesses, while recommending staying at home and working remotely. As at today, due to stabilization of the situation, previously recommended bans and restrictions are gradually deleted, however there are regions of country, where part of bans were reset. Therefore, the Eurocash Group constantly monitors the situation and complies with the recommendations of the Chief Sanitary Inspector and other authorities in Poland. The Group's activities to date have focused primarily on introducing recommendations of sanitary services aimed at limiting the spread of COVID-19 and ensuring, to the greatest extent possible, the safety of employees while allowing them uninterrupted work. Subsequently, the Eurocash Group focused on minimizing the effects of the negative impact of COVID-19, primarily in terms of sales. The costs incurred by the Group to date related to the COVID-19 pandemic were in the area of HR and administration. They were associated with temporarily higher salary costs for employees and the purchase of personal protective equipment intended for them. In addition, in connection with the COVID-19 pandemic, the Eurocash Group recorded an increase in sales in the retail segment and in wholesale segments that cooperate with independent and franchise stores. At the same time, Eurocash Group recorded a decrease in sales in the Horeca segment, as well as in Kontigo and Inmedio formats. The possible development of an epidemic in Poland may have a negative impact on the Group's operating activities and the production capacity of suppliers or the volume of sales of recipients. Considering the above-mentioned circumstances, the Management Board of Eurocash Group has analyzed the possible impact of the indicated situation on the financial results of the Group. Based on the analysis carried out, the Management Board of the parent entity did not identify important uncertainty to the functioning in the future of the parent entity and its subsidiaries.

Changes in equity

In the period between 1st January 2019 and 30th June 2020 no shares were issued.

There have been no other major events that influenced Eurocash Group income or loss in 1H 2020.

7. Development perspectives

External Factors

COVID-19

In March 2020, SARS-CoV-2 coronavirus and its disease, referred to as the COVID-19, has started to spread out as a pandemic. Due to this fact, a number of preventive actions were taken to limit the spread in many countries, Poland among them. In the second half of March 2020, bans and restrictions has been introduced, among others, on conducting certain types of businesses, while recommending staying at home and working remotely. As at today, due to stabilization of the situation, previously recommended bans and restrictions are gradually deleted, however there are regions of country, where part of bans were reset. Therefore, the Eurocash Group constantly monitors the situation and complies with the recommendations of the Chief Sanitary Inspector and other authorities in Poland. The Group's activities to date have focused primarily on introducing recommendations of sanitary services aimed at limiting the spread of COVID-19 and ensuring, to the greatest extent possible, the safety of employees while allowing them uninterrupted work. Subsequently, the Eurocash Group focused on minimizing the effects of the negative impact of COVID-19, primarily in terms of sales. The costs incurred by the Group to date related to the COVID-19 pandemic were in the area of HR and administration. They were associated with temporarily higher salary costs for employees and the purchase of personal protective equipment intended for them. In addition, in connection with the COVID-19 pandemic, the Eurocash Group recorded an increase in sales in the retail segment and in wholesale segments that cooperate with independent and franchise stores. At the same time, Eurocash Group recorded a decrease in sales in the Horeca segment, as well as in Kontigo and Inmedio formats. The possible development of an epidemic in Poland may have a negative impact on the Group's operating activities and the production capacity of suppliers or the volume of sales of recipients. Considering the above-mentioned circumstances, the Management Board of Eurocash Group has analyzed the possible impact of the indicated situation on the financial results of the Group. Based on the analysis carried out, the Management Board of the parent entity did not identify important uncertainty to the functioning in the future of the parent entity and its subsidiaries.

Growth in the FMCG market and its structure

The Group expects further growth of modern distribution channels; its unfavorable impact on company's income will be compensated by growth of the FMCG market in absolute terms and consolidation in the traditional wholesale market.

Fuel prices

Since a significant part of selling costs is logistics costs, strictly dependent on fuel prices, their significant changes may affect the Group's results.

Inflation

Unexpected substantial changes in prices of food, beverages, alcohol and other FMCG products, may influence the Group's profit and loss.

Labour costs

Potential pressure on labour costs could in medium-term perspective negatively influence the Group's profit and loss. However, potential of growing wages and salaries impacts the whole Polish market. As the Group sales are realized in Poland, its competitive position should remain unchanged due to this factor.

Internal Factors*Integration of acquired companies*

Due to the necessity of integrating acquired retail companies 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. All companies will be integrated within Delikatesy Centrum chain.

Development of Eurocash Retail segment¹

Eurocash Group continues expansion of the franchise chain Delikatesy Centrum and envisages opening of new Delikatesy Centrum stores to reach 2 400 outlets within next 4-5 years. Expansion of Delikatesy Centrum chain assumes three sources of growth:

1. Acquisitions of regional small supermarket chains,
2. Opening stores run by franchisees,
3. Opening of own retail stores (in cooperation with partners investing in real estate).

Total investment to be realized with Real Estate partners is estimated at app. PLN 1.0 – 2.0 bn. The expansion plan assumes achievement of average stores size of 350 sqm (selling area).

The envisaged organizational structure of the Eurocash Retail segment, assumes, that it will consist of all companies operating retail stores. Moreover, the target structure shall include also all wholesale and retail operations related to supply and support provided for retail stores operated by franchisees under Delikatesy Centrum brand.

Investment in strategical growth projects

To remain competitiveness of independent retail stores in Poland Eurocash Group continues an investment in innovative projects: Duży Ben, abc on wheels, Kontigo and others. Results of these projects have negative impact on the Group profitability, however the Board recognizes necessity of such investment to assure the growth in 5 to 10 years. After successful development of projects: Faktoria Win, PayUp and Fresh Projects in previous years, Group decided to expand: Duży Ben and Kontigo concepts as a franchise chain.

¹ The final correctness of forward-looking statements depends on many known and unknown elements of threats and events, various unknowns and other factors that may cause actual results, outcomes or achievements, to differ from those predicted today.

Cost optimization program

Since January 1st 2020 retail segment works as one centralised business unit and Alcohol distribution has been successfully integrated within Eurocash Distribution.

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 half of the year.

8. Major risks and threats related to the operational activities for the other months of the year

External Factors

Macroeconomic situation. Purchasing power of the population

Economic slowdown, drop of the purchasing power and decrease in household expenditures for consumption may have a negative impact on the sales volume of the Company.

The structure of the FMCG retail distribution market in Poland

In 1H 2020, the traditional distribution channel was a significant form of FMCG retail distribution, representing the share of 37.5%². 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.

The structure of the traditional FMCG distribution channel. Competition

According to the estimates compiled by the Eurocash Group, approx. 3000-4000 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.

COVID-19

The possible development of an epidemic in Poland may have a negative impact on the Group's operating activities and the production capacity of suppliers or the volume of sales of recipients. Considering the above-mentioned circumstances, the Management Board of Eurocash Group has analyzed the possible impact of the indicated situation on the financial results of the Group. Based on the analysis carried out, the Management Board of the parent entity did not identify important uncertainty to the functioning in the future of the parent entity and its subsidiaries.

² Nielsen Retail Trade Panel, Value sales, period: January - June 2020, Food categories

Internal Factors

IT systems

An efficient, uniform IT system allows for centralized and effective management of business processes, allowing for an exact analysis of profitability of particular products and particular discount stores, which guarantees high safety of the conducted business. Possible disturbances in the system operation would be a threat for the business of the Group.

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 30th June 2020 comprised to 1419 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.

Risk management system

The Eurocash Group runs a risk management system that covers all aspects of the operations of the entities comprising it. The system focuses both on internal and external areas, taking into account, among other things, the impact of the Group's activities in relation to social, employment, environmental issues, respect for human rights and counteracting corruption.

The Group's risk management is based on a series of internal procedures and policies, as well as on complementary and systematically performed internal control tasks through dedicated resources. In addition, the Eurocash Group has an Internal Audit function which, through its tasks, plays a consultative role in the field of quality and efficiency of the above mentioned audits.

Below are the most important elements of the risk management system related to the broadly understood social and natural environment.

Table 21: Risk management system

Risk area	Risk examples	Elements of the risk management system - methods of monitoring and controlling
Ethics and counteracting corruption	<ul style="list-style-type: none"> • Risk of corruption in relations with contractors • Risk of fraud against employees • Risk of fraud against contractors 	<ul style="list-style-type: none"> • Eurocash Group's Code of Ethics • Eurocash Group values - clearly defined and communicated to employees • Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics • Anti-mobbing policy • Training for employees on Eurocash Group values and ethics rules • Instructions for accepting gifts from contractors (giving gifts for charity)
Human resources/workplace	<ul style="list-style-type: none"> • Risk of losing employees • Risk of non-compliance with labor law by employees • Risk of low employee involvement • Risk of mobbing and other abuses towards employees • Risk of unfair assessment of employees' professional development • Risk of lack of professional development opportunities for employees • Risk of low employee satisfaction with work 	<ul style="list-style-type: none"> • Procedures and instructions regulating the workplace, including work regulations, remuneration and employee bonuses regulations • Activities and agreements with trade unions • Established and uniform rules for the use of the Social Benefits Fund • Ensuring compliance with labor law by training for management and continuous monitoring of working time records • Procedures and instructions for hiring new employees • Benefits system for employees (private medical care, co-financing for sports activities) • Co-financing of education for employees • Cyclical survey of employees' opinions • Eurocash Group values - clearly defined and communicated to employees • Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics • Work results management system • Annual employee development assessments • Talent development programs (Management Trainee and Sales & Operational Trainee) • E-learning platform with numerous employee trainings • External training according to the needs of given roles / functions / departments • Anti-mobbing policy • Activity in social media

Employees' health and safety	<ul style="list-style-type: none"> • Risk of accidents at work • Risk of fire and other accidents that may endanger the life and health of employees • The risk of access to unauthorized facilities that may endanger the safety of employees • Risk of assault on employees in the field and branches • Risk of occupational diseases (work at the computer, work in a warehouse, etc.) 	<ul style="list-style-type: none"> • Internal health and safety procedures and instructions • Systematic checks on compliance with health and safety procedures and instructions • Health and safety training for employees • Systematic training on emergency actions (e.g. trial evacuations in case of fires, etc.) • Devices and means ensuring safety in crisis situations (fire, evacuation, etc.) • Providing AED (defibrillator) devices in the Group's facilities with a large number of employees • Protection against access by third parties and protection of objects • Ensuring the physical protection of employees and facilities • Systematic training in first aid • A program to increase driving safety • Co-financing for sport activities and private medical care • Functioning of sports clubs enabling integration and recreation of employees
Food Quality and Safety	<ul style="list-style-type: none"> • Risk of marketing food that is not tested, of dubious quality or does not meet legal standards • The risk of food being placed on the market after the expiration date • Risk of breaking the cold chain for fresh products • Risk of inadequate storage and transport of food products • Risk of inadequate disposal of overdue, defective or damaged products • Risk of non-compliance with sanitary requirements 	<ul style="list-style-type: none"> • The implemented HACCP food safety program • IFS, BRC, ISO 22000 certifications and audits conducted by external entities in relation to the EC Group • Internal analysis and quality audits in distribution centers and branches • A dedicated team of food quality controllers covering geographically all regions of activity • OWDP (General Terms of Supply of Products) regulating cooperation with suppliers in the field of quality and food transport • In the case of own brand products - systematic audits at manufacturers' factories • Complaint process regarding both returns from customers and suppliers

Social and business environment	<ul style="list-style-type: none"> • Risk of stopping the development of entrepreneurship • Risk of stopping the development of local communities due to the lack of local entrepreneurship development • Risk of cessation of activity by local entrepreneurs (due to, for example, strong competition) • Risk of failure to comply with legal provisions • Risk of unauthorized/unlawful disclosure of personal information • Risk of selling alcohol for resale to recipients without valid alcohol concessions • Risk of cooperation with counterparties unreliable in the tax context • Risk of unfair business practices applied by the Group's employees 	<ul style="list-style-type: none"> • Entrepreneurship Academy (training, post-graduate studies for clients and franchisees, etc.) • Innovative business tools - eurocash.pl platform • Offering various business cooperation solutions (several franchise networks, new concepts of retail stores, etc.) • Applying good business practices • Support for equal treatment of entrepreneurs by producers ("Equals in business") • Satisfaction surveys of clients/entrepreneurs from cooperation with the Eurocash Group • Dedicated Compliance function in the EC Group (compliance with legal regulations) • Dedicated function to meet the requirements of GDPR - a separate team, procedures and instructions (in accordance with the requirements of the Act) • On-going and systematic monitoring of legal regulations and adaptation of activities to their requirements • Continuous monitoring and verification of the possession of valid alcohol licenses at recipients to whom such goods are sold for resale • The ban on trading on non-commercial Sundays • Verification of contractors' credibility • Cooperation regulated by contracts with producers and suppliers • Cooperation with the Large 3+Family Union • Employees' participation in charitable initiatives, e.g. charitable events, collections and actions for those in need
Natural environment	<ul style="list-style-type: none"> • Risk of contamination or poisoning of the environment • Risk of excessive CO2 emissions • Risk of uncontrolled energy consumption in buildings and the transport fleet • Risk of generating waste unfavorable to the environment • Risk of a significant amount of waste (e.g. damage, food processing) • Risk of improper waste and secondary raw materials segregation 	<ul style="list-style-type: none"> • Energy efficiency audits • Introduction of a fleet of hybrid cars • Introduction of the eco-driving program • Monitoring fuel consumption, driving style and emissions • Continuous improvement of the efficiency of the logistics chain • Continuous optimization of loss management in logistics • Cooperation with food banks • Waste segregation and management of recyclable materials

9. Additional information

Information regarding dividends

The Management Board of the Eurocash Group recommended to the Ordinary General Meeting of Eurocash S.A., to be held on August 25th 2020, resignation of the dividends payout from net profit in 2019 and allocation it to supplementary capital. The decision results only from the unstable macroeconomic situation and its nature is one-off and applies only to the payment of dividends from net profit for 2019.

Explanations regarding seasonality

In FMCG wholesale sales are traditionally lower in 2Q, then sales peak during summer period and stabilize in the 4Q.

Issuance redemption and repayment of debt and capital securities

In the period between 1st January 2019 and 30th June 2020 no shares have been issued.

On 30th June 2020 Eurocash total nominal value of issued bonds amounted to PLN 0.00.

Changes in Key Management Principles

In 1H 2020 there were no major changes in the key management principles.

The Board opinion on the possibilities to carry out previously published financial forecasts for a given year

The Management Board of Eurocash S.A. has not published or does not intend to publish financial forecast for 2020.

Table 22: Shareholders owning directly or indirectly – through dependent entities – at least 5 % of total number of votes at the general assembly

	24.08.2020				12.05.2020			
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*)	61 287 778	44.04%	61 287 778	44.04%	61 287 778	44.04%	61 287 778	44.04%
Others	77 875 508	55.96%	77 875 508	55.96%	77 875 508	55.96%	77 875 508	55.96%
Total	139 163 286	100.00%	139 163 286	100.00%	139 163 286	100.00%	139 163 286	100.00%

*through Politra B.V. s.a.r.l. and Westerngate Private Investments Ltd.

Table 23: Number of shares (or rights to shares) held by the members of the Management Board and Supervisory Board of Eurocash

	Shares or rights to acquire Eurocash shares	
	24.08.2020	12.05.2020
Management Board members		
Luis Amaral (directly and indirectly)	61 287 778	61 287 778
Rui Amaral	347 025	347 025
Katarzyna Kopaczewska	330 000	330 000
Arnaldo Guerreiro	325 500	325 500
Pedro Martinho	955 803	955 803
Jacek Owczarek*	73 694	73 694
Przemysław Ciałś	1 350	1 350
Noel Collett	0	0
Supervisory Board members		
Hans-Joachim Körber	0	0
Jorge Mora	121 500	121 500
Renato Arie	0	0
Francisco José Valente Hipólito dos Santos	0	0
Ewald Raben	0	0

*indirectly through persons closely related

Information on legal suits

In the 1H 2020 companies belonging to Eurocash Group were not involved in any other legal suit in any court, nor in a body competent for arbitration proceedings nor an administrative body, which total value would amount to at least 10% of equity.

Information concerning granting by the issuer or its subsidiary credit or loan surety or a guarantee

In the 1H 2020 companies belonging to Eurocash Group did not grant any surety for a credit or a loan nor did it grant any guarantee of total value equivalent to 10% of the Eurocash equity.

Information concerning execution by the issuer or its subsidiary transaction with related parties

In the 1H 2020 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.

Other information significant to assess the issuer's situation or ability to satisfy liabilities by the issuer

Apart of information provided in this report, there is no other information which would be material to assess the staffing and financial situation of the Company.

Appointment of the entity qualified to audit financial statements

The Management Board of Eurocash S.A. acting under par.14 point 2 Statute of the Company, on 9th May 2019, appointed Ernst & Young Audyt Polska Sp. z o.o. sp. k. with its registered office in Warsaw, entered by the National Chamber of Statutory Auditors on the list of entities authorized to audit financial statements under No. 130, on the external auditor to examine the company's financial statements for the year 2019, 2020 and 2021.

The members of the Management Board of Eurocash S.A. represent that:

- Ernst & Young Audyt Polska sp. z o.o. sp. k., the entity qualified to audit financial statements, which reviewed the abbreviated semi-annual consolidated of Eurocash Group and the abbreviated semi-annual separate of Eurocash, has been appointed in compliance with the applicable laws and regulations. The entity and the auditors have met the prerequisites for giving an impartial and independent report from the review in accordance with the applicable provisions of the law.

STATEMENT OF THE MANAGEMENT BOARD

Accuracy and reliability of the reports presented

The members of the Management Board of Eurocash S.A. represent that, according to their best knowledge:

- the abbreviated semi-annual consolidated financial statements and comparable data have been drawn up in accordance with the applicable accounting principles and give a true and fair view of the economic and financial position of Eurocash Group and of the financial results for the 1H 2020,
- the abbreviated semi-annual separate financial statements and comparable data have been drawn up in accordance with the applicable accounting principles and give a true and fair view of the economic and financial position of Eurocash and of the results of its operations for the 1H 2020.
- the report of the Management Board on the business activities of Eurocash Group for the 1H 2020 contains a true views of the development, achievements and position of Eurocash Group, including a description of main risks and threats.

Signatures of the Management Board Members:

Position	Name and surname	Date	Signature
President of the Management Board	Luis Amaral	24 th August 2020	
Member of the Management Board Chief Executive Officer	Rui Amaral	24 th August 2020	
Member of the Management Board	Przemysław Ciaś	24 th August 2020	
Member of the Management Board	Arnaldo Guerreiro	24 th August 2020	
Member of the Management Board Human Resources Director	Katarzyna Kopaczewska	24 th August 2020	
Member of the Management Board	Pedro Martinho	24 th August 2020	
Member of the Management Board Financial Director	Jacek Owczarek	24 th August 2020	
Member of the Management Board	Noel Collett	24 th August 2020	