



**EUROCASH**

**CONSOLIDATED QUARTERLY REPORT**

**1<sup>st</sup> QUARTER 2021**

**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.

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## SELECTED CONSOLIDATED FINANCIAL DATA

	Non audited for the period from 01.01.2021 to 31.03.2021 PLN	Non audited for the period from 01.01.2020 to 31.03.2020 PLN	Non audited for the period from 01.01.2021 to 31.03.2021 EUR	Non audited for the period from 01.01.2020 to 31.03.2020 EUR
Sales	5 812 095 470	5 919 100 672	1 277 580 171	1 369 338 054
Operating profit (loss)	(33 619 919)	(10 409 586)	(7 390 130)	(2 408 177)
Profit (loss) before income tax	(65 876 172)	(65 555 301)	(14 480 507)	(15 165 711)
Profit (loss) for the on continued operations	(70 911 631)	(62 003 921)	(15 587 372)	(14 344 126)
Profit (loss) for the period	(70 911 631)	(62 003 921)	(15 587 372)	(14 344 126)
Net cash from operating activities	(21 758 870)	(39 618 640)	(4 782 905)	(9 165 465)
Net cash used in investing activities	(43 828 103)	(58 619 031)	(9 634 032)	(13 561 058)
Net cash used in financing activities	63 405 040	73 296 612	13 937 318	16 956 603
Net change in cash and cash equivalents	(2 181 933)	(24 941 060)	(479 620)	(5 769 921)
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)	(0,51)	(0,44)	(0,11)	(0,10)
Diluted EPS (in PLN / EUR)	(0,51)	(0,44)	(0,11)	(0,10)
Average PLN / EUR rate*			4,5493	4,3226
	Non audited as at 31.03.2021 PLN	Non audited as at 31.12.2020 PLN	Non audited as at 31.03.2021 EUR	Non audited as at 31.12.2020 EUR
Assets	8 306 800 059	8 065 788 761	1 782 460 369	1 747 808 954
Non-current liabilities	2 335 491 697	2 137 167 826	501 146 213	463 111 690
Current liabilities	5 031 022 332	4 925 779 793	1 079 549 027	1 067 387 491
Equity	940 286 030	1 002 841 142	201 765 129	217 309 773
Share capital	139 163 286	139 163 286	29 861 444	30 155 865
Number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Diluted number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Book value per share (in PLN / EUR)	6,27	6,72	1,35	1,46
Diluted book value per share (in PLN / EUR)	6,27	6,72	1,35	1,46
Dividends paid (in PLN / EUR)	-	3 323 004	-	720 075
Dividends paid per share (in PLN / EUR)	-	0,02	-	0,01
PLN / EUR rate at the end of the period**			4,6603	4,6148

\* Profit and loss items and cash flow items calculated on basis at a weighted average rate announced by the National Bank of Poland for 1Q 2021 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.

# **EUROCASH S.A. GROUP**

## **CONDENSED INTERIM**

## **CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 MARCH 2021

### **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.

<i>Condensed interim consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.03.2021	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:	01.01-31.03.2021	Presentation currency:	Polish zloty (PLN)
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## 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 3-month period ended 31 March 2021 and contain comparative data for the 3-month period ended 31 March 2020 and as at 31 December 2020. The statement of comprehensive income, the income statement include data for the 3-month period ended 31 March 2021 and comparative data for the 3-month period ended 31 March 2020.

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 31 March 2021 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:	01.01-31.03.2021	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 31 March 2021 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,  
Przemysław Budkowski – Member of the Supervisory Board.

## **2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD**

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

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.03.2021	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 31.03.2021

	Non audited 1 Quarter for the period from 01.01.2021 to 31.03.2021	Non audited 1 Quarter for the period from 01.01.2020 to 31.03.2020
<b>Sales</b>	<b>5 812 095 470</b>	<b>5 919 100 672</b>
Sales of goods	5 780 301 301	5 886 808 927
Sales of services	30 509 593	30 169 031
Sales of materials	1 284 576	2 122 714
<b>Costs of sales</b>	<b>(5 068 974 276)</b>	<b>(5 131 480 390)</b>
Costs of goods sold	(5 067 804 227)	(5 129 513 147)
Costs of materials sold	(1 170 049)	(1 967 243)
<b>Gross profit (loss)</b>	<b>743 121 194</b>	<b>787 620 282</b>
Selling expenses	(685 482 244)	(693 055 461)
General and administrative expenses	(105 389 764)	(102 799 633)
<b>Profit (loss) on sales</b>	<b>(47 750 814)</b>	<b>(8 234 811)</b>
Other operating income	22 823 980	16 496 740
Other operating expenses	(8 693 085)	(18 671 515)
<b>Operating profit (loss)</b>	<b>(33 619 919)</b>	<b>(10 409 586)</b>
Financial income	5 825 619	9 354 718
Financial costs	(38 252 897)	(63 614 617)
Share in profits (losses) of equity accounted investees	171 025	(885 816)
<b>Profit (loss) before tax</b>	<b>(65 876 172)</b>	<b>(65 555 301)</b>
Income tax expense	(5 035 458)	3 551 380
<b>Profit (loss) for the period</b>	<b>(70 911 631)</b>	<b>(62 003 921)</b>
Attributable to:		
Owners of the Company	(70 462 024)	(60 646 635)
Non-controlling interests	(449 606)	(1 357 285)
<b>EARNINGS PER SHARE</b>		
	PLN / share	PLN / share
Profit (loss) attributable to Owners of the Company	(70 462 024)	(60 646 635)
Weighted average number of shares	139 163 286	139 163 286
Weighted average diluted number of shares	139 163 286	139 163 286
<b>Earnings per share</b>		
- basic	(0,51)	(0,44)
- diluted	(0,51)	(0,44)



Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.03.2021	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 31.03.2021**

	Non audited 1 Quarter for the period from 01.01.2021 to 31.03.2021	Non audited 1 Quarter for the period from 01.01.2020 to 31.03.2020
<b>Profit (loss) for the period</b>	<b>(70 911 631)</b>	<b>(62 003 921)</b>
<b>Other comprehensive income for the period</b>	4 998 696	(17 233 131)
Items that may be subsequently reclassified to profit or loss:		
- The result on hedge accounting with the tax effect:	4 998 696	(17 233 131)
<b>Total comprehensive income for the period</b>	<b>(65 912 934)</b>	<b>(79 237 051)</b>
<b>Total Income</b>		
Owners of the Company	(65 463 328)	(77 879 766)
Non-controlling interests	(449 606)	(1 357 285)
<b>Total comprehensive income for the period</b>	<b>(65 912 934)</b>	<b>(79 237 051)</b>

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.03.2021	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 31.03.2021

	Non audited as at 31.03.2021	as at 31.12.2020
<b>Assets</b>		
<b>Non-current assets (long-term)</b>	<b>5 179 666 775</b>	<b>5 096 727 047</b>
Goodwill	2 045 033 805	2 045 033 805
Intangible assets	345 377 309	349 690 980
Property, plant and equipment	706 172 488	721 040 045
Right of use assets	1 897 113 667	1 795 460 872
Investment property	921 786	925 711
Investments in equity accounted investees	13 264 275	13 093 250
Other long-term investments	515 990	525 090
Long-term receivables	16 157 706	16 065 443
Deferred tax assets	146 903 691	145 196 345
Other long-term prepayments	8 206 057	9 695 505
<b>Current assets (short-term)</b>	<b>3 127 133 285</b>	<b>2 969 061 714</b>
Inventories	1 401 272 180	1 363 009 516
Trade receivables	1 385 987 825	1 309 239 675
Current tax receivables	34 181 993	28 735 480
Other short-term receivables	129 096 364	112 572 474
Other short-term financial assets	482 785	310 325
Short-term prepayments	60 802 263	37 702 436
Cash and cash equivalents	115 309 874	117 491 807
<b>Total assets</b>	<b>8 306 800 059</b>	<b>8 065 788 761</b>

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.03.2021	Presentation currency:	Polish zloty (PLN)
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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.03.2021

	Non audited as at 31.03.2021	as at 31.12.2020
<i>Equity and liabilities</i>		
<b>Equity</b>	<b>940 286 030</b>	<b>1 002 841 142</b>
<b>Equity attributable to Owners of the Company</b>	<b>873 016 268</b>	<b>935 121 774</b>
Share capital	139 163 286	139 163 286
Reserve capital	581 032 165	581 032 165
Valuation equity of hedging transactions	(16 735 807)	(21 734 503)
Option for purchase/selling the shares	(43 128 058)	(49 561 267)
Retained earnings	212 684 681	286 222 093
Accumulated profit / loss from previous years	283 146 705	224 412 358
Profit (loss) for the period	(70 462 024)	61 809 735
<b>Non-controlling interests</b>	<b>67 269 762</b>	<b>67 719 368</b>
<b>Liabilities</b>	<b>7 366 514 030</b>	<b>7 062 947 619</b>
<b>Non-current liabilities</b>	<b>2 335 491 697</b>	<b>2 137 167 826</b>
Long-term loans and borrowings	563 840 000	463 869 947
Other long-term financial liabilities	127 877 267	130 683 208
Long-term lease liabilities	1 625 426 594	1 523 813 632
Other long-term liabilities	2 617 113	3 651 826
Employee benefits	12 640 530	11 787 295
Provisions	3 090 193	3 361 919
<b>Current liabilities</b>	<b>5 031 022 332</b>	<b>4 925 779 793</b>
Loans and borrowings	300 665 519	227 058 411
Other short-term financial liabilities	29 422 536	31 839 487
Short-term lease liabilities	369 791 473	355 977 522
Trade payables	3 683 637 141	3 701 260 628
Current tax liabilities	10 858 286	11 793 488
Other short-term payables	171 930 220	171 191 572
Current employee benefits	185 693 172	166 532 059
Provisions	279 023 987	260 126 627
<b>Total equity and liabilities</b>	<b>8 306 800 059</b>	<b>8 065 788 761</b>
<b>BOOK VALUE PER SHARE</b>		

	Non audited as at 31.03.2021	as at 31.12.2020
<b>Equity attributable to Owners of the Company</b>	<b>873 016 268</b>	<b>935 121 774</b>
Number of shares	139 163 286	139 163 286
Diluted number of shares	139 163 286	139 163 286
<b>Book value per share</b>	<b>6,27</b>	<b>6,72</b>
<b>Diluted book value per share</b>	<b>6,27</b>	<b>6,72</b>

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.03.2021	Presentation currency:	Polish zloty (PLN)
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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01. TO 31.03.2021

	Non audited 1 Quarter for the period from 01.01.2021 to 31.03.2021	Non audited 1 Quarter for the period from 01.01.2020 to 31.03.2020
<i>Cash flow from operating activities</i>		
<b>Profit (loss) before tax</b>	<b>(65 876 172)</b>	<b>(65 555 301)</b>
<b>Adjustments for:</b>	<b>179 052 076</b>	<b>192 118 594</b>
Depreciation and amortization	149 549 408	136 573 933
Share in profits (losses) of equity accounted investees	(171 025)	885 816
Valuation of motivational programm	-	499 800
Gain (loss) on sale of property, plant and equipment	(2 503 560)	(2 990 336)
Profit (loss) on exchange rates	6 007 828	25 496 427
Interest expenses	27 567 771	33 576 789
Interest received	(1 398 347)	(1 923 835)
<b>Operating cash before changes in working capital</b>	<b>113 175 904</b>	<b>126 563 292</b>
Changes in inventory	(38 262 664)	(200 879 273)
Changes in receivables	(93 499 332)	(34 683 678)
Changes in payables	(909 505)	122 803 695
Changes in provisions and employee benefits	17 473 755	9 574 630
Other adjustments	(362 803)	(267 901)
<b>Operating cash</b>	<b>(2 384 645)</b>	<b>23 110 766</b>
Interest received	922 630	1 187 826
Interest paid	(5 486 162)	(21 427 502)
Income tax paid	(14 810 693)	(42 489 730)
<b>Net cash from operating activities</b>	<b>(21 758 870)</b>	<b>(39 618 640)</b>
<i>Cash flow from investing activities</i>		
Aquisition of intangible assets	(12 555 618)	(22 781 422)
Proceeds from sale of intangible assets, property, plant and equipment	1 474 742	-
Aquisition of property, plant and equipment tangible fixed assets	(36 281 321)	(42 186 718)
Proceeds from sale of property, plant and equipment	3 222 003	8 215 327
Loans granted	(172 500)	(2 624 682)
Interest received	484 592	758 463
<b>Net cash used in investing activities</b>	<b>(43 828 103)</b>	<b>(58 619 031)</b>
<i>Cash flow from financing activities</i>		
Financing for franchisees	948 338	(1 323 240)
Proceeds from loans and borrowings	181 403 986	173 599 642
Repayment of borrowings	(7 826 826)	-
Income/expenses for liabilities from financial leasing	(87 901 539)	(75 936 683)
Other interests	(19 440 537)	(17 086 382)
Interests on loans and borrowings	(3 778 383)	(5 956 726)
<b>Net cash used in financing activities</b>	<b>63 405 040</b>	<b>73 296 612</b>
<b>Net change in cash and cash equivalents</b>	<b>(2 181 933)</b>	<b>(24 941 060)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>117 491 807</b>	<b>146 669 860</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>115 309 874</b>	<b>121 728 801</b>

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.03.2021	Presentation currency:	Polish zloty (PLN)
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## FULL CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 01.01. TO 31.03.2021

	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 31.03.2020 - non audited</i>								
Balance as at 01.01.2020 after changes	139 163 286	596 712 165	(69 761 777)	(5 327 688)	236 195 828	896 981 814	66 417 403	963 399 217
Total comprehensive income for the reporting period								
Owners of the Company	-	-	-	-	(60 646 635)	(60 646 635)	-	(60 646 635)
Non-controlling interests	-	-	-	-	-	-	(1 357 285)	(1 357 285)
Other comprehensive income	-	-	-	(17 233 131)	-	(17 233 131)	-	(17 233 131)
Total comprehensive income for the period from 01.01. to 31.03.2020	-	-	-	(17 233 131)	(60 646 635)	(77 879 766)	(1 357 285)	(79 237 051)
Valuation of motivational program for employees	-	499 800	-	-	-	499 800	-	499 800
Option for purchase/selling the shares	-	-	(10 768 663)	-	-	(10 768 663)	-	(10 768 663)
Other	-	-	-	-	(2 818 805)	(2 818 805)	-	(2 818 805)
Total contributions by and distributions to Owners of the Company	-	499 800	(10 768 663)	-	(2 818 805)	(13 087 668)	-	(13 087 668)
Balance as at 31.03.2020	139 163 286	597 211 965	(80 530 440)	(22 560 819)	172 730 387	806 014 380	65 060 118	871 074 497
<i>Changes in equity in the period from 01.01 to 31.03.2021 - non audited</i>								
Balance as at 01.01.2021	139 163 286	581 032 165	(49 561 267)	(21 734 503)	286 222 093	935 121 774	67 719 368	1 002 841 142
Total comprehensive income for the reporting period								
Owners of the Company	-	-	-	-	(70 462 024)	(70 462 024)	-	(70 462 024)
Non-controlling interests	-	-	-	-	-	-	(449 606)	(449 606)
Other comprehensive income	-	-	-	4 998 696	-	4 998 696	-	4 998 696
Total comprehensive income for the period from 01.01. to 31.03.2021	-	-	-	4 998 696	(70 462 024)	(65 463 328)	(449 606)	(65 912 934)
Option for purchase/selling the shares	-	-	6 433 210	-	-	6 433 210	-	6 433 210
Other	-	-	-	-	(3 075 388)	(3 075 388)	-	(3 075 388)
Total contributions by and distributions to Owners of the Company	-	-	6 433 210	-	(3 075 388)	3 357 822	-	3 357 822
Balance as at 31.03.2021	139 163 286	581 032 165	(43 128 058)	(16 735 807)	212 684 681	873 016 268	67 269 762	940 286 029

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.03.2021	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 01.01.2021 TO 31.03.2021

### 1. GENERAL INFORMATION

#### 1.1. ISSUE OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

According to the resolution of the Management Board dated 12 May 2021, the consolidated financial statements of Eurocash Group for the period from 1 January 2021 to 31 March 2021 were authorized for publication.

According to the information included in the report no. 1/2021 dated 12 January 2021 sent to the Polish Financial Supervision Authority, Eurocash S.A. issues its interim consolidated financial statements on 13 May 2021.

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 2020, which is available on the website [www.grupaeurocash.pl](http://www.grupaeurocash.pl).

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

The accounting principles applied to the preparation of the consolidated financial statements are consistent with those applied to the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2020, except for the application of new or amended standards and interpretations applicable to annual periods beginning on or after 1 January 2021.

The changed standards and interpretations that are applicable for the first time in 2021, do not have a significant impact on the Group's consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reform of interest rate benchmarks-Phase 2. The proposed changes contain temporary derogations addressing the effects of replacing the Interbank Interest Rate ("IBOR") with a Near Risk-Free Alternative Interest Rate ("RFR") and their impact on financial reporting. The changes include the following practical solutions:

- a practical solution requiring that changes to the contract or changes to cash flows that are a direct consequence of the reform should be treated as changes in a variable interest rate, which is equivalent to a change in the market interest rate,
- permission to adjust the hedge accounting documentation in terms of designating and documenting hedging relationships without dissolving them, if these changes were directly required by the IBOR reform,
- granting a temporary exemption from the requirement to meet the separate identification criterion if the RFR instrument has been designated to hedge a risk component.

The following standards and interpretations have been published by the International Accounting Standards Board, but are not yet effective:

- 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;

<i>Condensed interim consolidated financial statements of EUROCASH Group.</i>			
Financial statements period:	01.01-31.03.2021	Presentation currency:	Polish zloty (PLN)
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- 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;
- 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;
- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020, respectively) – 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;
- 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;
- 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;
- 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;
- 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;
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) – 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;
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021) – 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;
- Amendments to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 April 2021.

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.

#### **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.

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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.

#### **Impairment of trade receivables**

In the current period, estimates of expected credit losses were updated. Details are included in note 2.

#### **Revenue recognition**

The application of IFRS 15 requires the Group to make subjective judgments and estimates that significantly affect the determination of the amount and timing of revenue recognition.

If the remuneration specified in the contract includes a variable amount, the Company estimates the amount of remuneration to which it will be entitled in exchange for the provision of the promised goods or services to the customer.

#### **Leasing - recognition of the lessee**

The application of IFRS 16 requires the Group to exercise various types of judgment, including determining which contracts fit into the lease definition, what parameters should be used to measure the lease liability and whether there are indications of the need to reassess the lease term or the discount rate.

The Group has the possibility, under some lease agreements, to extend the term of the asset lease. After the commencement date, the Group cyclically assesses the lease term, and in the event of a significant event or change in circumstances under its control that affect its ability to exercise (or not exercise) the extension option (e.g. change in business strategy), it makes appropriate changes in terms of the contract. The Group makes similar assessments for contracts concluded for an indefinite period.

#### **Classification of liabilities due to reverse factoring**

The Eurocash Group uses many financial instruments, including supply chain financing agreements (reverse factoring) in relation to its trade liabilities. Considering the potential impact of such agreements on the statement of cash flows and the statement of financial position, the Group analyzes the content of such agreements each time.

As long as the invoice transferred to the factor is not due (taking into account the additional maturity date specified by the supplier in the financial agreement), it is included in the trade liability.

In particular, the Management Board assesses whether the supplier financing program does not materially change the terms of payment to suppliers, the size of the dates of occurrence and the nature of future cash flows, and the costs of financing a trade credit.

If significant modifications to the terms of repayment of trade liabilities are identified, the Group changes the classification accordingly and recognizes the liabilities covered by factoring as separate debt financing.

#### **Depreciation rates**

The Group recognizes that the "Eurocash" and "abc" trademarks are recognizable on the market and plans to use them in its operations for a long time. Therefore, the Group assumes that the useful lives of the trademarks "Eurocash" and "abc" are indefinite and they are not amortized. The "Eurocash" and "abc" trademarks are subject to an annual impairment test.

The Group determines the depreciation rates based on the assessment of the expected useful life of the items of property, plant and equipment and intangible assets, and performs their periodic verification.

#### **Split payment**



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According to the Management Board's judgment, restrictions on the use of cash on VAT accounts resulting from the 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.

#### **Deferred tax asset**

The Group recognizes a deferred tax asset based on the assumption that a tax profit will be generated in the future that will allow for its use. Deterioration of the tax results obtained in the future could make this assumption unjustified.

The Group carefully assesses the nature and scope of evidence supporting the conclusion that it is probable that future taxable profit will be sufficient to deduct from it unused tax losses, unused tax credits or other negative temporary differences.

#### **Court cases**

Determining the amount of the provision for court cases requires judgment as to whether the Group is obliged to provide benefits. In estimating whether it is more likely than not that an outflow of economic benefits will occur, the Group followed the professional judgment of legal 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 31 December 2020, excluding the application of new or amended standards and interpretations applicable to annual periods beginning on 1 January 2021 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.

### **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.

As at 31 March 2021 there was a surplus of current liabilities of the Group over its current assets in the amount of PLN 1,9 billion. At the same time as at 31 March 2021 there was a surplus of current trade liabilities of the Group over its current assets (trade receivables and inventories) in the amount of PLN 0,9 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 Group also analyzed the timeliness of settling its trade liabilities, details are included in note 2. The Group plans to maintain the structure and timing of the liabilities rotation in subsequent reporting periods.

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In connection with the situation of the Covid-19 pandemic described in Note 8, which affects the companies of the 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. Special preventive measures are taken and recommended to employees on an ongoing basis, minimizing the risk of infection.

The financial plans prepared by the Management Board for 2021 and the following years indicate the maintenance of liquidity by the Group's companies and the ongoing servicing of liabilities. Based on the same models, the Management Board stated that at any time in the period until December 31, 2021, the Group will have sufficient credit limits, with the highest use of these limits will occur at the turn of the first and second quarter of 2021. The sensitivity analysis of these models is based on the assumptions presented in the "Going Concern" note in the annual report prepared as at December 31, 2020. Based on the analysis, the Management Board concluded that the Group has sufficient sources of financing and that there is no significant uncertainty for the going concern.

The conditions precedent related to the loan agreements are monitored on an ongoing basis. As at the balance sheet date, 31 March 2021, the terms of the loan agreements were not breached.

The main sources of debt financing are bank loans, bonds and leasing. The Group also has factoring limits, which it uses to finance both its own working capital and that of the Group's suppliers and customers.

#### **Bank loans**

As at 31 March 2021, the Group had credit limits at domestic banks and EBRD in the amount of PLN 1,251.8 million, and their use was PLN 855.4 million, which constitutes 68% of the limits granted.

Both the value of the limits and the use of long-term loans account for approximately 2/3 of the total value of bank loans and amounts to PLN 572.8 million of use out of PLN 822.8 million of the limits granted. The list of long-term loans consists of two lines: (1) a three-year revolving loan concluded in 2020 with a syndicate of banks with a limit of PLN 600 million, the purpose of which was to refinance a loan agreement ending in September 2020, and (2) a loan in the amount of PLN 222.75 million PLN with a term of validity until June 2025, which was launched under the contract concluded with the European Bank for Reconstruction and Development in the second quarter of 2020, and the funds obtained from it were used mainly to finance the purchase of Frisco SA. The use of the revolving loan as at 31 March 2021 was PLN 350 million, while the EBRD loan was PLN 222.8 million.

In order to secure financial liquidity in the event of unfavorable epidemic scenarios in 2021, Grupa Eurocash S.A. obtained additional financing in the third and fourth quarter of 2020 as part of the anti-crisis shield with security in the form of an 80% surety from Bank Gospodarstwa Krajowego in the amount of PLN 150 million. Additionally, the Group exchanged a part of the working capital loan supplementing the Group cash pool program in the amount of PLN 45 million for financing under the anti-crisis shield. As at 31 March 2021, the total amount of short-term loan limits secured by the BGK guarantee was PLN 195 million, and their use was PLN 120 million. As at the date of this report, the Group has another loan secured under the anti-crisis shield in the amount of PLN 50 million. It will increase by available lines in the second quarter of 2021.

As a standard, the Group also has working capital loans active as at the date of these financial statements, maturing within 12 months from the date of the last extension. The total amount of financing available under these loans is PLN 234 million and their use is PLN 162.7 million. In each adopted model, the Management Board assumes that all current credit limits in current accounts will be extended for subsequent periods in unchanged amounts.

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### Bonds

On 23 December 2020, the first bond issue in the amount of PLN 125 million took place as part of the bond issue program established on 18 November 2020 in cooperation with BNP Paribas Bank Polska S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Santander Bank Polska S.A. The program enables multiple bond issues in accordance with the bond issue terms and conditions set for each series, up to the total amount of PLN 1,000,000,000. The issue was in demand with a wide group of investors and was made public by listing it on the ASO (Catalyst) market on the Stock Exchange.

### Leasing

The Group also uses leasing for financing fixed assets. As at 31 March 2021, the Group companies had active leasing contracts in two financial institutions with a total exposure of PLN 24.9 million, of which PLN 21.5 million related only to Frisco S.A. The additional impact of IFRS 16 was presented in the statement of financial position.

### Factoring programs

In order to continue operating activities, and in particular to ensure financing of the supply chain, the Group maintains limits in factoring institutions in the following amounts: (1) reverse factoring - PLN 2.16 billion and (2) factoring of receivables - PLN 315 million. Part of the factoring program in the amount of PLN 125 million is guaranteed as part of the anti-crisis shield, with an 80% guarantee from Bank Gospodarstwa Krajowego.

The use of factoring lines amounts to PLN 1.77 billion in reverse factoring programs and PLN 160.7 million in receivables factoring programs, respectively.

## 2. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2021 TO 31.03.2021

### NOTE 1. 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 Groszek, Lewiatan, Gama, Eurosklep, Abc 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., Ambra Sp. z o.o. and 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, Investpol700 Eurocash Nieruchomości Sp. z o.o. sp.j., Eurocash Nieruchomości Sp. z o.o. (previously Koja-Invest Sp. z o.o.), Partner Sp. z o.o., Innowacyjna Platforma Handlu Sp. z o.o. (previously Platforma Innowacji Handlu Sp. z o.o.), Podlaskie Delikatesy Centrum Sp. z o.o., as well as mark Delikatesy Centrum as part

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of sales to customers of this franchise system by Eurocash S.A. and Eurocash Franczyza Sp.z o.o. and developed by Eurocash Group 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: Kontigo Sp. z o.o., ABC na kołach Sp. z o.o., Duży Ben Sp. z o.o. In addition, the segment includes the activities of the subsidiary Frisco S.A. developing activities in the e-commerce sector.
- *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 2021 TO 31 MARCH 2021

	Wholesale	Retail	Projects	Other	Exclusions	Total
<b>Sales</b>	<b>4 625 751 801</b>	<b>2 066 098 281</b>	<b>123 378 247</b>	<b>907 910</b>	<b>(1 004 040 770)</b>	<b>5 812 095 470</b>
External sales of goods	4 184 376 613	1 477 246 245	118 678 442	-	-	5 780 301 300
Other external sales	9 609 666	19 331 027	2 853 476	-	-	31 794 169
Inter-segmental sales	431 765 523	569 521 009	1 846 328	907 910	(1 004 040 770)	-
<b>Operating profit</b>	<b>51 383 437</b>	<b>(31 544 851)</b>	<b>(22 092 229)</b>	<b>(31 366 276)</b>	<b>-</b>	<b>(33 619 919)</b>
Finance income						5 825 619
Finance costs						(38 252 897)
Share in losses of companies consolidated with the equity method						171 025
<b>Profit before income tax</b>						<b>(65 876 172)</b>
Income tax						(5 035 458)
<b>Net profit (loss)</b>						<b>(70 911 631)</b>

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## REVENUES AND PROFITS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2020 TO 31 MARCH 2020

	Wholesale	Retail	Projects	Other	Exclusions	Total
<b>Sales</b>	<b>4 786 792 082</b>	<b>2 086 874 901</b>	<b>38 726 819</b>	<b>1 510 903</b>	<b>(994 804 032)</b>	<b>5 919 100 672</b>
External sales of goods	4 362 310 036	1 486 458 309	38 040 582	-	-	5 886 808 927
Other external sales	10 861 788	21 256 490	132 002	41 465	-	32 291 745
Inter-segmental sales	413 620 258	579 160 102	554 235	1 469 438	(994 804 032)	-
<b>Operating profit (loss)</b>	<b>43 962 036</b>	<b>(5 522 297)</b>	<b>(17 427 537)</b>	<b>(31 421 788)</b>	<b>-</b>	<b>(10 409 586)</b>
Finance income						9 354 718
Finance costs						(63 614 617)
Share in losses of companies consolidated with the equity method						(885 816)
<b>Profit (loss) before income tax</b>						<b>(65 555 301)</b>
Income tax						3 551 380
<b>Net profit (loss)</b>						<b>(62 003 921)</b>

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## NOTE 2. 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 decrease in financial costs in 1st quarter of 2021 in comparison of 2020 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 1st quarter of 2021 was PLN 21.1 m, in 2020: 42.2 m).

### Income tax

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

	for the period from 01.01.2021 to 31.03.2021	for the period from 01.01.2020 to 31.03.2020
<b>Profit (loss) before tax</b>	<b>(65 876 172)</b>	<b>(65 555 301)</b>
Income tax expense	(5 035 458)	3 551 380
<b>Profit (loss) for the period</b>	<b>(70 911 631)</b>	<b>(62 003 921)</b>
% tax rate (effective)	7,6%	-5,4%
<b>Differences:</b>		
Fixed costs not constituting tax deductible costs	-677 160	-4 111 003
Impact of tax loss assets	-17 090 189	-4 636 960
Other	183 018	-146 174
<b>Profit (loss) before tax</b>	<b>(65 876 172)</b>	<b>(65 555 301)</b>
Income tax expense	12 548 872	12 445 517
<b>Profit (loss) for the period</b>	<b>(53 327 300)</b>	<b>(53 109 784)</b>
% tax rate (effective)	-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.

### Inventories

The value of inventories as at 31 March 2021 is comparable to their state as at 31 December 2020. The values concerning the write-off for inventories are presented below.

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#### **WRITE-OFF OF INVENTORIES IN THE PERIOD FROM 01.01 TO 31.03.2021**

	for the period from 01.01.2021 to 31.03.2021	for the period from 01.01.2020 to 31.12.2020
<b>Opening balance</b>	<b>41 665 897</b>	<b>41 181 752</b>
- increase *	-	484 145
- decrease *	(1 637 346)	-
<b>Closing balance</b>	<b>40 028 551</b>	<b>41 665 897</b>

\* net value

#### **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.

Court cases are covered by a 100% write-off. There were no significant court cases as at 31.03.2021.

Aging of trade receivables as at 31.03.2021:

#### **AGING OF TRADE RECEIVABLES AS AT 31.03.2021**

	Trade receivables gross value 31.03.2021	Trade receivables gross value 31.12.2020
current	1 190 454 589	1 114 836 650
1-30 days	166 286 540	138 631 238
31-90 days	36 418 503	65 527 798
91-180 days	14 222 602	10 910 343
> 180 days	44 410 255	47 900 223
	<b>1 451 792 489</b>	<b>1 377 806 252</b>

#### **WRITE-OFF OF TRADE RECEIVABLES AS AT 31.03.2021**

	for the period from 01.01.2021 to 31.03.2021	for the period from 01.01.2020 to 31.12.2020
<b>Opening balance</b>	<b>68 566 577</b>	<b>58 879 328</b>
Increase *	-	9 687 250
Decrease *	(2 761 913)	-
<b>Closing balance</b>	<b>65 804 664</b>	<b>68 566 577</b>

\* net value



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### 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:

	3 months ended 31.03.2021	Year ended 31.12.2020
Opening balance	(21 098 152)	(842 825)
Effective part of the profit / loss on the hedging instrument	6 171 230	(20 255 327)
Amounts charged to the profit and loss account, including:	-	-
- interest expense adjustment	-	-
- hedge ineffectiveness adjustment	-	-
Closing balance	(14 926 922)	(21 098 152)
Deferred tax asset recognized in the revaluation reserve	2 836 115	4 008 649
Closing balance including deferred tax	(12 090 807)	(17 089 503)

### 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 31 March 2021, the value of balances covered by the supplier financing program was recognized in the amount of PLN 1.758.370.555 while as at 31 December 2020 the corresponding value of balances was PLN 1.795.600.865.

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

Aging of trade liabilities is presented in the table below:

AGING OF TRADE LIABILITIES AS AT 31.03.2021		
	31.03.2021	31.12.2020
current	3 668 214 703	3 682 011 395
1-30 days	7 777 488	11 658 341
31-90 days	3 020 906	2 528 150
91-180 days	2 831 616	1 746 663
> 180 days	1 792 428	3 316 078
	<b>3 683 637 141</b>	<b>3 701 260 628</b>

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Liabilities are overdue mainly due to:

1. To 90 days - Keeping receivables to compensate Group suppliers liabilities, which is compatible with the internal interpretation of the payment gridlock regulations.
2. Over 90 days - Settlements for rents. Group renegotiates rates and exemptions with landlords during the pandemic.

### NOTE 3. TRANSACTIONS WITH SUBSIDIARIES

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

### NOTE 4. ITEMS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

#### CONTINGENCIES AS AT 31 MARCH 2021

Beneficiary	Title	Currency	as at	as at
			31.03.2021	31.12.2020
1	Bank 1* Surety for the obligations due to the "Franchise partners financing program" for the Franchisee Delikatesy Centrum"	PLN	411 263	714 908
			<b>411 263</b>	<b>714 908</b>

\* debt value as at balance sheet date

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Financial statements period:	01.01-31.03.2021	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### BANK GUARANTEES AS AT 31 MARCH 2021 - SECURITIES FOR RENT LIABILITIES

	The Issuer	Title	Currency	as at	as at
				31.03.2021	31.12.2020
1	Bank 1	Security of payments to suppliers	PLN	134 577 500	134 577 500
2	Bank 2	Security of payments to suppliers *	PLN	15 145 975	14 998 100
3	Bank 3	Security for using of the national roads	PLN	620 100	620 100
4	Bank 4	Security of excise duty	PLN	500 000	500 000
5	Bank 5	Security of rent liabilities	PLN	11 709 290	11 534 564
6	Bank 6	Security of rent liabilities *	PLN	40 658 161	41 038 435
7	Bank 7	Security of the liabilities of the promotion lottery	PLN	4 050 000	4 995 891
8	Bank 8	Security of the liabilities of the good service performance	PLN	8 875 182	8 875 182
				<b>216 136 208</b>	<b>217 139 772</b>

\* - Guarantee in EUR is translated into PLN at the average exchange rate of NBP:  
as at 31.03.2021: 1 EUR = 4,6603 PLN  
as at 31.12.2020: 1 EUR = 4,6148 PLN

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.03.2021	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## COLLATERALS

### SECURITIES RELATED TO ASSETS AS AT 31 MARCH 2021

Title	Secured property	as at	as at
		31.03.2021	31.12.2020
Security on the credit line agreement *	Pledge on inventories of Eurocash S.A.	90 000 000	90 000 000
Guarantee on securing the payment for suppliers*	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 *	Pledge on shares of Eurocash Serwis Sp. z o.o.	9 547 300	9 547 300
Security on the consolidated loan *	Pledge on shares of Eurocash Franczyza Sp. z o.o.	3 800 000	3 800 000
Security on the consolidated loan *	Mortgage on 13 properties	333 750 000	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	25 911 779	26 465 142
		<b>651 009 079</b>	<b>651 562 442</b>

\* security nominal value

### NOTE 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 31 March 2021, 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 6. 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.

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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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 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 Group 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 Group 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 Group appealed against this decision. It mentions a number of arguments for the correctness of the tax settlements made by the Group, including confirmation of the correctness of the settlements through the positive interpretations of tax law.

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 of 12 May 2021, the case has not been completed.

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 2021, the audit was not completed.

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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 31 May 2021, the above-mentioned controls were not completed.

On 3 December 2020, the Head of the Wielkopolska Customs and Tax Office in Poznań issued a decision in which he specified the tax liability in the corporate income tax for 2014 in the amount of approximately PLN 11.3 million. The head of the Wielkopolska Customs and Tax Office in Poznań thus stated that Eurocash S.A. was understated by the amount of PLN 5.5 million of the tax due in the corporate income tax resulting from the overestimation of tax deductible costs due to depreciation of trademarks in the amount of PLN 28.8 million, which is a consequence of an incorrect - overestimated for tax purposes - initial value of intangible assets legal (trademarks). In response to the above-mentioned decision, on 5 February 2021, the Company appealed

### **Other administrative proceedings**

On 2 October 2020, the Company received the Order of the President of the Office of Competition and Consumer Protection of 28 September 2020 on the initiation of ex officio against Eurocash S.A. proceedings on practices dishonestly using contractual advantage. When initiating the proceedings, the President of UOKiK decided that it should be verified whether certain practices applied by Eurocash S.A. could be qualified as the use of contractual advantage. In the decision to initiate the procedure, the President of UOKiK pointed to two questionable forms of Eurocash settlements with suppliers - i.e. collecting remuneration for (i) general-network services / sales support services, and (ii) services to expand sales markets. As part of the pending proceedings, in response to the request of the President of the Office of Competition and Consumer Protection, the Company announced that since 2017 it has not received any remuneration for services to expand sales markets, while in the period from 01.01.2019 to 31.10.2020 it charged suppliers with a total amount of approx. PLN 19 million for the provision of general-network services / sales support. As part of the ongoing proceedings, we answer all questions of the President of the Office of Competition and Consumer Protection and explain any doubts on an ongoing basis. The proceedings are at a very early stage, therefore the Management Board of the Company is currently unable to estimate the effects (including financial) of the proceedings initiated by the President of the Office of Competition and Consumer Protection. We also point out that the obligation to pay a possible fine imposed by the President of the Office of Competition and Consumer Protection arises only after the decision becomes final - i.e. after the judgment is issued by the Court of Second Instance (Court of Appeal). Under the present conditions, the duration of the proceedings from the issuance of the decision to the issuance of a final judgment by the Court of Appeal is approximately 4-5 years.

Eurocash also provided the President of the Office of Competition and Consumer Protection with information as part of the ongoing investigations regarding whether the buyers of agricultural and food products do not unjustifiably extend the payment terms for products purchased from suppliers. After analyzing overdue liabilities towards suppliers, Eurocash states that the main reasons for their creation are:

(i) errors in the data included in the invoices consisting in inconsistencies between the content of the order placed by Eurocash or the goods receipt document and the data resulting from the VAT invoice, which should always be consistent. Any discrepancies regarding the difference between the quantity of products indicated in the VAT invoice or their price and the quantity or price indicated in the order or the goods receipt document results in the necessity to initiate an explanatory procedure, in which both persons from the

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accounting, logistics and purchasing department of Eurocash and on the part of the supplier, which often results in the expiry of the payment deadline before the final clarification of the identified non-conformities, (ii) delays in the delivery of invoices by suppliers which, due to the invoice having to go through the approval, accounting and payment process, prevented timely payment.

The existence of liabilities that have not been settled on time is also related to the current mutual settlements of receivables between Eurocash and suppliers, as a result of which these liabilities are reduced or completely written off due to compensations made. It is a natural market practice that occurs continuously in relations with suppliers.

Eurocash has not taken and does not take any actions aimed at unjustified extension of payment terms in relation to suppliers.

In addition, in accordance with the Act on counteracting excessive delays in commercial transactions, the Company reported overdue payments for 2020. Based on the analysis, the sum of overdue receivables, which the company did not receive on time, significantly exceeds the unpaid liabilities.

The Company cooperates with the Office on an ongoing basis, providing timely replies to a number of other inquiries addressed by the President of the Office of Competition and Consumer Protection to the Company as part of the ongoing explanatory proceedings and FMCG market research

#### **NOTE 7.**

#### **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, as security paid a deposit in the amount of PLN 95,746,902 for possible arrears.

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, the decision to bring Eurocash S.A. to liability for the risk of a fine for the former employee of the Company and the obligation to return property benefits. Following this decision, the prosecutor, on the same day, issued a decision securing Eurocash property for the enforcement of a potential judgment against the former employee. The security was made by seizing the amount of PLN 65,889,015, which had previously been paid by the Company on 24 August 2017 to the bank account of the Head of the First Wielkopolska Tax Office in Poznań. As a result of a complaint submitted by the Company on July 22, 2020, the District Court in Poznań revoked the decision on the security. Thus, the security collapsed.

As at the balance sheet date, the Company included the amount of PLN 43,479,521 against the Company's current tax liabilities, from the pool of the previously paid security for the payment of any VAT liability (the current security for any arrears is PLN 52,267,381).

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The amount of the Security was estimated in 2017 as the maximum amount of the possible VAT arrears of the Company, assuming the worst-case scenario, i.e. unreliability of a very large number of the Company's contractors participating in the intra-Community supply of the Company's goods. At the moment, based on the analysis of tax inspection files and tax proceedings and the results of internal analyzes, the Company concluded that the Security is too high in relation to the amount of potential VAT arrears (if such arrears exist at all), as the information obtained shows that a significant part of buyers, originally classified as a potential risk group, settled transactions with the Company correctly in another EU country, showing intra-Community acquisitions of goods there and accounted for the VAT due on this account

## **NOTE 8.**

### **SIGNIFICANT EVENTS DURING THE PERIOD COVERED BY THE FINANCIAL STATEMENTS**

#### **1. COVID-19**

In March 2020, the SARS-CoV-2 coronavirus and its disease, known as Covid-19, began spreading as a pandemic. Due to this fact, a number of preventive measures have been taken to limit the spread of the virus, also in Poland. In the second half of March 2020, i.a. prohibitions and restrictions on conducting activities for certain types of business entities. Due to the improvement in the situation in the middle of the year, most of these restrictions were withdrawn. As of today, due to the falling number of cases, the restrictions and restrictions introduced earlier are being gradually lifted (including the movement of children and the elderly, restrictions on the operation of cinemas, theaters, restaurants and shops). As the situation is very dynamic (both in Poland and abroad), Eurocash Group monitors the situation on an ongoing basis and follows the recommendations of the Chief Sanitary Inspector and other services in Poland. The activities of the Group so far have focused primarily on implementing the recommendations of sanitary services aimed at limiting the spread of Covid-19 and ensuring, as much as possible, the safety of employees while enabling them to work uninterrupted. Subsequently, Eurocash Group focused on minimizing the effects of the negative impact of Covid-19, primarily in the area of sales. So far, the costs incurred by the Group related to the Covid-19 pandemic were mainly related to HR and administration. They were associated with temporarily higher costs of remuneration for employees and the purchase of personal protective equipment intended for them. Additionally, in connection with the Covid-19 pandemic, 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, the Eurocash Group recorded a decrease in sales in the Horeca segment, as well as in the Kontigo and Inmedio formats, as well as periodic declines in turnover in the EC Serwis format.

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. Acquisition of 49% of shares in the company operating the Arhelan chain of stores.**

On 11 March 2021, Eurocash S.A. and Arhelan, as well as Arhelan's existing shareholders, signed an investment agreement, which is also a preliminary share sale agreement ("Investment Agreement") for the



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purchase of shares in Arhelan and defining the terms of Arhelan's cooperation with the Eurocash Group, including the franchise agreement regarding the target participation of Arhelan within the structures franchise Delikatesy Centrum under the logo of Delikatesy Centrum and Polskie Sklepy Arhelan.

### **3. Strategic options for the Group's development.**

On 28 January 2021, the Management Board of Eurocash SA decided to start the process of reviewing the potential strategic options for the development of the Eurocash Group, and for this purpose, on 29 January 2021, it signed an agreement with a strategic advisor and then engaged / entered into agreements with financial and commercial advisors, who will help the Company in identifying and potentially selecting optimal strategic options. The review of strategic options is aimed at selecting the most advantageous way to achieve the long-term goal of the Company, which is the development of the Group leading to maximization of value for the current and future shareholders of the Company.

#### **NOTE 9.**

##### **IMPORTANT EVENTS AFTER THE PERIOD COVERED BY THE FINANCIAL STATEMENTS**

Management Board of Eurocash S.A. by resolution No. 5 of 27 April 2021, the Ordinary General Meeting of EUROCASH S.A. decided to pay dividends. Persons who are shareholders of the Company on 16 June 2021 will receive a dividend of PLN 0.48.

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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
Management Board Member Human Resources Director	Katarzyna Kopaczewska	12 <sup>th</sup> May 2021	
Management Board Member Financial Director	Jacek Owczarek	12 <sup>th</sup> May 2021	

## SELECTED SEPARATE FINANCIAL DATA

	Non audited for the period from 01.01.2021 to 31.03.2021 PLN	Non audited for the period from 01.01.2020 to 31.03.2020 PLN	Non audited for the period from 01.01.2021 to 31.03.2021 EUR	Non audited for the period from 01.01.2020 to 31.03.2020 EUR
Sales	3 617 760 849	3 743 537 386	795 234 618	866 038 353
Operating profit (loss)	2 640 797	588 449	580 484	136 133
Profit (loss) before income tax	(19 111 505)	(42 900 084)	(4 200 977)	(9 924 602)
Profit (loss) for the on continued operations	(16 805 430)	(37 275 913)	(3 694 069)	(8 623 494)
Profit (loss) for the period	(16 805 430)	(37 275 913)	(3 694 069)	(8 623 494)
Net cash from operating activities	61 395 871	(108 992 906)	13 495 674	(25 214 664)
Net cash used in investing activities	(31 577 771)	(30 902 234)	(6 941 237)	(7 148 992)
Net cash used in financing activities	(27 725 821)	151 069 199	(6 094 525)	34 948 688
Net change in cash and cash equivalents	2 092 279	11 174 058	459 912	2 585 032
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)	(0,12)	(0,27)	(0,03)	(0,06)
Diluted EPS (in PLN / EUR)	(0,12)	(0,27)	(0,03)	(0,06)
Average PLN / EUR rate*			4,5493	4,3226
	as at 31.03.2021 PLN	as at 31.12.2020 PLN	as at 31.03.2021 EUR	as at 31.12.2020 EUR
Assets	6 566 098 524	6 488 750 929	1 408 943 314	1 406 074 137
Non-current liabilities	1 511 655 580	1 370 141 883	324 368 727	296 901 682
Current liabilities	3 847 302 738	3 899 662 107	825 548 299	845 033 827
Equity	1 207 140 206	1 218 946 940	259 026 287	264 138 628
Share capital	139 163 286	139 163 286	29 861 444	30 155 865
Number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Diluted number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Book value per share (in PLN / EUR)	8,67	8,76	1,86	1,90
Diluted book value per share (in PLN / EUR)	8,67	8,76	1,86	1,90
Dividends paid (in PLN / EUR)	-	-	-	-
Dividends paid per share (in PLN / EUR)	-	-	-	-
PLN / EUR rate at the end of the period**			4,6603	4,6148

\* Profit and loss items and cash flow items calculated on basis at a weighted average rate announced by the National Bank of Poland for 1Q 2021 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.

**EUROCASH S.A.**

**CONDENSED INTERIM  
SEPARATE FINANCIAL STATEMENTS**

FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 MARCH 2021

**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, 12<sup>th</sup> May 2021

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<i>Condensed interim separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.03.2021	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 separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2021	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 quarterly condensed financial statements of the Company cover the period of 3 months ended on 31 March 2021 and contain comparative data for the period of 3 months ended on 31 March 2020 and as at 31 December 2020. The statement of comprehensive income, the income statement includes data for the 3 months ended on 31 March 2021 and comparative data for the 3 months ended on 31 March 2020.

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 31 March 2021 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:	01.01-31.03.2021	Presentation currency:	Polish zloty (PLN)
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## 2.2. SUPERVISORY BOARD

As at 31 March 2021 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,  
Przemysław Budkowski – Member of the Supervisory Board.

## 2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

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

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2021	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 01.01.2021 TO 31.03.2021

	Non audited 1 Quarter for the period from 01.01.2021 to 31.03.2021	Non audited 1 Quarter for the period from 01.01.2020 to 31.03.2020
<b>Sales</b>	<b>3 617 760 849</b>	<b>3 743 537 386</b>
Sales of goods	3 605 083 366	3 734 322 497
Sales of services	12 677 483	9 214 890
<b>Costs of sales</b>	<b>(3 238 525 960)</b>	<b>(3 325 052 216)</b>
Costs of goods sold	(3 238 525 960)	(3 325 052 216)
<b>Gross profit (loss)</b>	<b>379 234 889</b>	<b>418 485 170</b>
Selling expenses	(323 011 476)	(346 609 183)
General and administrative expenses	(60 595 268)	(66 320 849)
<b>Profit (loss) on sales</b>	<b>(4 371 855)</b>	<b>5 555 138</b>
Other operating income	11 904 335	7 129 416
Other operating expenses	(4 891 683)	(12 096 105)
<b>Operating profit (loss)</b>	<b>2 640 797</b>	<b>588 449</b>
Financial income	5 924 167	6 041 114
Financial costs	(27 676 470)	(49 529 646)
<b>Profit (loss) before tax</b>	<b>(19 111 505)</b>	<b>(42 900 084)</b>
Income tax expense	2 306 075	5 624 171
<b>Profit (loss) for the period</b>	<b>(16 805 430)</b>	<b>(37 275 913)</b>

### EARNINGS PER SHARE

	PLN / share	PLN / share
Profit (loss) for the period	(16 805 430)	(37 275 913)
Weighted average number of shares	139 163 286	139 163 286
Weighted average diluted number of shares	139 163 286	139 163 286
<b>Earnings per share</b>		
- basic	(0,12)	(0,27)
- diluted	(0,12)	(0,27)



Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2021	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 01.01.2021  
TO 31.03.2021**

	Non audited 1 Quarter for the period from 01.01.2021 to 31.03.2021	Non audited 1 Quarter for the period from 01.01.2020 to 31.03.2020
<b>Profit (loss) for the period</b>	<b>(16 805 430)</b>	<b>(37 275 913)</b>
<b>Other comprehensive income for the period</b>	4 998 696	(17 233 131)
Items that may be subsequently reclassified to profit or loss:		
- The result on hedge accounting with the tax effect:	4 998 696	(17 233 131)
<b>Total comprehensive income for the period</b>	<b>(11 806 734)</b>	<b>(54 509 044)</b>
<b>Total Income</b>		
Owners of the Company	(11 806 734)	(54 509 044)
Non-controlling interests	-	-
<b>Total comprehensive income for the period</b>	<b>(11 806 734)</b>	<b>(54 509 044)</b>

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2021	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 31.03.2021

	Non audited as at 31.03.2021	as at 31.12.2020
<i>Assets</i>		
<b>Non-current assets (long-term)</b>	<b>4 599 457 339</b>	<b>4 574 824 651</b>
Goodwill	1 204 087 310	1 204 087 310
Intangible assets	591 715 072	596 008 119
Property, plant and equipment	421 858 138	433 767 430
Right of use assets	918 611 132	876 308 646
Investment property	921 786	925 711
Investments in subsidiary companies	1 445 256 408	1 445 256 408
Investments in equity accounted investees	4 590 840	4 590 840
Other long-term investments	57 633	57 633
Long-term receivables	4 555 918	4 557 218
Other long-term prepayments	7 803 103	9 265 337
<b>Current assets (short-term)</b>	<b>1 966 641 185</b>	<b>1 913 926 278</b>
Inventories	796 090 642	770 759 595
Trade receivables	1 028 942 959	1 063 875 784
Current tax receivables	19 650 700	17 622 945
Other short-term receivables	54 780 519	18 208 502
Other short-term financial assets	10 530 012	310 285
Short-term prepayments	33 944 280	22 539 374
Cash and cash equivalents	22 702 071	20 609 792
<b>Total assets</b>	<b>6 566 098 524</b>	<b>6 488 750 929</b>

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2021	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

	Non audited as at 31.03.2021	as at 31.12.2020
<i>Equity and liabilities</i>		
<b>Equity</b>	<b>1 207 140 206</b>	<b>1 218 946 940</b>
<b>Equity attributable to Owners of the Company</b>	<b>1 207 140 206</b>	<b>1 218 946 940</b>
Share capital	139 163 286	139 163 286
Reserve capital	878 713 695	878 713 695
Valuation equity of hedging transactions	(16 735 807)	(21 734 503)
Retained earnings	205 999 031	222 804 461
Accumulated profit / loss from previous years	222 804 461	93 869 429
Profit (loss) for the period	(16 805 430)	128 935 033
<b>Liabilities</b>	<b>5 358 958 318</b>	<b>5 269 803 989</b>
<b>Non-current liabilities</b>	<b>1 511 655 580</b>	<b>1 370 141 883</b>
Long-term loans and borrowings	563 840 000	464 685 000
Other long-term financial liabilities	127 877 267	130 683 208
Long-term lease liabilities	807 031 074	760 125 223
Other long-term liabilities	410 797	432 070
Deferred tax liabilities	7 696 519	9 416 458
Employee benefits	4 799 923	4 799 923
<b>Current liabilities</b>	<b>3 847 302 738</b>	<b>3 899 662 107</b>
Loans and borrowings	673 467 209	742 195 698
Other short-term financial liabilities	29 422 536	31 839 487
Short-term lease liabilities	177 753 429	171 270 476
Trade payables	2 613 212 758	2 622 500 368
Current tax liabilities	123 860	-
Other short-term payables	64 071 019	65 340 096
Current employee benefits	101 722 244	92 466 961
Provisions	187 529 683	174 049 021
<b>Total equity and liabilities</b>	<b>6 566 098 524</b>	<b>6 488 750 929</b>
<b>BOOK VALUE PER SHARE</b>		
	as at 31.03.2021	as at 31.12.2020
<b>Equity attributable to Owners of the Company</b>	<b>1 207 140 206</b>	<b>1 218 946 940</b>
Number of shares	139 163 286	139 163 286
Diluted number of shares	139 163 286	139 163 286
<b>Book value per share</b>	<b>8,67</b>	<b>8,76</b>
<b>Diluted book value per share</b>	<b>8,67</b>	<b>8,76</b>

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2021	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 01.01.2021 TO 31.03.2021

	Non audited 1 Quarter for the period from 01.01.2021 to 31.03.2021	Non audited 1 Quarter for the period from 01.01.2020 to 31.03.2020
<i>Cash flow from operating activities</i>		
<b>Profit (loss) before tax</b>	<b>(19 111 505)</b>	<b>(42 900 084)</b>
<b>Adjustments for:</b>	<b>99 791 130</b>	<b>113 980 625</b>
Depreciation and amortization	79 257 325	70 970 371
Valuation of motivational program	-	499 800
Gain (loss) on sale of property, plant and equipment	(2 425 378)	(1 952 470)
Profit (loss) on exchange rates	4 916 011	21 187 490
Dividends received	(739 075)	-
Interest expenses	19 388 490	24 524 104
Interest received	(606 243)	(1 248 669)
<b>Operating cash before changes in working capital</b>	<b>80 679 625</b>	<b>71 080 541</b>
Changes in inventory	(25 333 061)	(79 582 716)
Changes in receivables	(1 828 901)	(40 602 375)
Changes in payables	1 745 337	(37 063 437)
Changes in provisions and employee benefits	10 980 333	2 317 149
<b>Operating cash</b>	<b>66 243 333</b>	<b>(83 850 838)</b>
Interest received	648 881	910 391
Interest paid	(2 893 079)	(17 067 475)
Income tax paid	(2 603 264)	(8 984 984)
<b>Net cash from operating activities</b>	<b>61 395 871</b>	<b>(108 992 906)</b>
<i>Cash flow from investing activities</i>		
Aquisition of intangible assets	(8 051 331)	(10 158 050)
Proceeds from sale of intangible assets, property, plant and equipment	1 421 541	-
Aquisition of property, plant and equipment tangible fixed assets	(18 015 031)	(25 297 693)
Proceeds from sale of property, plant and equipment	2 568 179	6 699 303
Income/expenses on other short-term financial assets	-	(1 001 000)
Dividends received	739 075	-
Loans granted	(10 148 361)	(1 459 117)
Repayment received of given loans	24 776	-
Interest received	(116 618)	314 322
<b>Net cash used in investing activities</b>	<b>(31 577 771)</b>	<b>(30 902 234)</b>
<i>Cash flow from financing activities</i>		
Income/expenses for other financial liabilities	948 338	(1 323 240)
Proceeds from loans and borrowings	126 220 937	207 578 720
Repayment of borrowings	(95 794 426)	-
Expenses for liabilities from leasing	(42 541 411)	(36 927 403)
Other interests	(11 781 638)	(8 847 382)
Interests on loans and borrowings	(4 777 620)	(9 411 497)
<b>Net cash used in financing activities</b>	<b>(27 725 821)</b>	<b>151 069 199</b>
<b>Net change in cash and cash equivalents</b>	<b>2 092 279</b>	<b>11 174 058</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>20 609 792</b>	<b>30 976 577</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>22 702 071</b>	<b>42 150 636</b>

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2021	Presentation currency:	Polish zloty (PLN)
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## CONDENSED SEPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 01.01.2021 TO 31.03.2021

	Share capital	Reserve capital	Hedge reserve	Retained earnings	Total
<i>Changes in equity in the period from 01.01 to 31.03.2020</i>					
<b>Balance as at 01.01.2020 after changes</b>	<b>139 163 286</b>	<b>696 537 775</b>	<b>(5 327 688)</b>	<b>253 723 810</b>	<b>1 084 097 183</b>
Profit (loss) for the period from 01.01. to 31.03.2020	-	-	-	(37 275 913)	<b>(37 275 913)</b>
Other comprehensive income	-	-	(17 233 131)	-	<b>(17 233 131)</b>
<b>Total comprehensive income for the period from 01.01. to 31.03.2020</b>	<b>-</b>	<b>-</b>	<b>(17 233 131)</b>	<b>(37 275 913)</b>	<b>(54 509 044)</b>
Valuation of employee incentive programs	-	499 800	-	-	<b>499 800</b>
<b>Total contributions by and distributions to Owners of the Company</b>	<b>-</b>	<b>499 800</b>	<b>-</b>	<b>-</b>	<b>499 800</b>
<b>Balance as at 31.03.2020</b>	<b>139 163 286</b>	<b>697 037 575</b>	<b>(22 560 819)</b>	<b>216 447 897</b>	<b>1 030 087 939</b>
<i>Changes in equity in the period from 01.01 to 31.03.2021</i>					
<b>Balance as at 01.01.2021</b>	<b>139 163 286</b>	<b>878 713 695</b>	<b>(21 734 503)</b>	<b>222 804 461</b>	<b>1 218 946 940</b>
Profit (loss) for the period from 01.01. to 31.03.2021	-	-	-	(16 805 430)	<b>(16 805 430)</b>
Other comprehensive income	-	-	4 998 696	-	<b>4 998 696</b>
<b>Total comprehensive income for the period from 01.01. to 31.03.2021</b>	<b>-</b>	<b>-</b>	<b>4 998 696</b>	<b>(16 805 430)</b>	<b>(11 806 734)</b>
<b>Balance as at 31.03.2021</b>	<b>139 163 286</b>	<b>878 713 695</b>	<b>(16 735 807)</b>	<b>205 999 032</b>	<b>1 207 140 205</b>

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2021	Presentation currency:	Polish zloty (PLN)
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## SUPPLEMENTARY INFORMATION TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2021 TO 31.03.2021

### 1. GENERAL INFORMATION

#### 1.1. ISSUE OF THE FINANCIAL STATEMENT

According to the resolution of the Management Board dated 12 May 2021, these condensed interim separate financial statements of Eurocash S.A. for the period from 1 January 2021 to 31 March 2021 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 31 March 2021, and the separate financial statements of Eurocash S.A. as at and for the year ended 31 December 2020, which are available on the website [www.grupaeurocash.pl](http://www.grupaeurocash.pl).

#### 1.3. 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).

#### 1.4. 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 2020, except for the application of new or amended standards and interpretations applicable to annual periods beginning on or after 01 January 2021.

The changed standards and interpretations that are applicable for the first time in 2021, do not have a significant impact on the Company's interim condensed financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reform of interest rate benchmarks - Phase 2

The proposed changes contain temporary derogations addressing the effects of replacing the Interbank Interest Rate ("IBOR") with a Near Risk-Free Alternative Interest Rate ("RFR") and their impact on financial reporting. The changes include the following practical solutions:

- a practical solution requiring that changes to the contract or changes to cash flows that are a direct consequence of the reform should be treated as changes in a variable interest rate, which is equivalent to a change in the market interest rate,
- permission to adjust the hedge accounting documentation in terms of designating and documenting hedging relationships without dissolving them, if these changes were directly required by the IBOR reform,
- granting a temporary exemption from the requirement to meet the separate identification criterion if the RFR instrument has been designated to hedge a risk component.

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The following standards and interpretations have been published by the International Accounting Standards Board, but are not yet effective

- 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;
- 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;
- 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;
- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020, respectively) – 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;
- 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;
- 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;
- 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;
- 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;
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) – 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;
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021) – 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;
- Amendments to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 April 2021.

The effective dates are the dates resulting from the content of the standards announced by the International Financial Reporting Council. The dates of application of the standards in the European Union may differ from the dates of application resulting from the content of the standards and are announced at the time of approval for use by the European Union.

The potential impact of the following changes is immaterial from the Company's point of view.

## 1.5. USE OF ESTIMATES AND JUDGEMENTS

Drafting financial statements in conformity with UE IFRS requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions were made based on past experience and other factors accepted as reasonable in the given circumstances, and the results of these estimates and judgments were the basis for determining the

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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.

#### **Impairment of trade receivables**

In the current period, estimates of expected credit losses were updated. Details are included note 2.

#### **Revenue recognition**

The application of IFRS 15 requires the Company to make subjective judgments and estimates that significantly affect the determination of the amount and timing of revenue recognition.

If the remuneration specified in the contract includes a variable amount, the Company estimates the amount of remuneration to which it will be entitled in exchange for the delivery of the promised goods or services to the customer.

#### **Leasing - recognition of the lessee**

The application of IFRS 16 requires the Company to exercise various types of judgment, including determining which contracts fit into the lease definition, what parameters should be used to measure the lease liability and whether there are indications of the need to reassess the lease term or the discount rate.

The company has the option, under some lease agreements, to extend the term of the asset lease. After the commencement date, the Company periodically assesses the lease term and, in the event of a significant event or change in circumstances under its control, that affect its ability to exercise (or not exercise) the extension option (e.g. change in business strategy), it makes appropriate changes to the treatment of the contract.

The Company makes similar assessments for contracts concluded for an indefinite period.

#### **Classification of liabilities due to reverse factoring**

The Company uses many financial instruments, including supplier chain financing agreements (reverse factoring) in relation to its trade liabilities. Considering the potential impact of such agreements on the statement of cash flows and the statement of financial position, the Company analyzes the content of such agreements each time. In particular, the Management Board assesses whether the supplier financing program does not cause a material change

- payment terms to suppliers,
- the size, timing and nature of future cash flows
- trade credit financing costs

If significant modifications to the terms of repayment of trade liabilities are identified, the Company changes the classification accordingly and recognizes the liabilities covered by factoring as separate debt financing.

#### **Depreciation rates**

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

The Company determines depreciation rates based on the assessment of the expected economic useful life of items of property, plant and equipment and intangible assets, and periodically verifies them.



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### **Split Payment**

According to the Management Board's judgment, restrictions on the use of cash on VAT accounts resulting from the 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.

### **Deferred tax asset**

The Company recognizes a deferred tax asset based on the assumption that a tax profit will be generated in the future that will allow for its use. Deterioration of the tax results obtained in the future could make this assumption unjustified.

The Company carefully assesses the nature and extent of evidence supporting the conclusion that it is probable that future taxable income will be sufficient to deduct from it unused tax losses, unused tax credits or other negative temporary differences.

### **Court cases**

Determining the amount of the provision for court cases requires judgment as to whether the Company is obliged to provide benefits. In estimating whether it is more likely than not that an outflow of economic benefits will occur, the Company followed the professional judgment of legal advisers.

## **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 2020, excluding the application of new or amended standards and interpretations applicable to annual periods beginning on 1 January 2021 and later.

## **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 Company's ability to continue as a going concern, the Management Board considered the existing threat as a threat and the expected effects of the COVID-19 pandemic on the entity's operations. The Management Board analyzed the possible impact of the indicated situation on the Company's financial results. On the basis of the analysis, the Management Board did not find any significant uncertainty as to the functioning of the Company in the future.

As at 31 March 2021, there was a surplus of current liabilities over its current assets in the amount of PLN 1.88 billion. At the same time, as at 31 March 2021, there was a surplus of trade liabilities over current assets (trade receivables and inventories) in the amount of PLN 0.79 billion, which, according to the Management Board, is typical for the industry in which the Company operates, in which a significant part of sales is made on cash terms, inventories are minimized, and suppliers provide deferred payment terms, and the Company also uses reverse factoring instruments. At the same time, the Company is developing the retail network, involving its own funds and funds from external sources of financing.

The financial plans prepared by the Management Board for 2021 and subsequent years, as described in detail below, indicate that the Company maintains liquidity and the ongoing servicing of liabilities. The financing conditions included in the loan agreements are monitored on an ongoing basis. As at the balance sheet date, 31 March 2021, none of these conditions was violated. In addition, the Company also had unused credit limits in the amount of PLN 376,8 million.

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The Company also analyzed the timeliness of settling its trade liabilities, details are included in Note 1. The Company plans to maintain the structure and dates of rotation of liabilities in subsequent reporting periods.

In connection with the situation of the SARS-CoV-2 coronavirus pandemic described in Note 6, 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. Special preventive measures are taken and recommended to employees on an ongoing basis, minimizing the risk of infection. As at the date of these financial statements, the main 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 Company. At any point in the period until the date 31 December 2021, the Company will have sufficient credit limits, and the highest use of these limits occurred at the turn of the first and second quarter of 2021.

As at 31 March 2021, the Company had credit limits at domestic banks and EBRD in the amount of PLN 1,121.8 million, and their use was PLN 744.9 million, which constitutes 66% of the limits granted.

Both the value of the limits and the use of long-term loans account for approx. 2/3 of the total value of bank loans and amounts to PLN 572.8 million of utilization out of PLN 822.8 million of the limits granted. The list of long-term loans consists of two lines: (1) a three-year revolving loan concluded in 2020 with a syndicate of banks with a limit of PLN 600 million, the purpose of which was to refinance a loan agreement ending in September 2020, and (2) a loan of PLN 222.75 million PLN with a term of validity until June 2025, which was launched under the contract concluded with the European Bank for Reconstruction and Development in the second quarter of 2020, and the funds obtained from it were used mainly to finance the purchase of Frisco S.A. The use of the revolving loan as at 31 March 2021 was PLN 350 million, while the EBRD loan was PLN 222.8 million.

In order to secure financial liquidity in the event of the implementation of unfavorable epidemic scenarios in 2021, Eurocash S.A. obtained additional loans in the 3<sup>rd</sup> and 4<sup>th</sup> quarter as part of the anti-crisis shield, secured by an 80% guarantee from Bank Gospodarstwa Krajowego in the amount of PLN 150 million. Additionally, the Company exchanged a part of the working capital loan supplementing the group cash pool program in the amount of PLN 45 million for financing under the anti-crisis shield. As at 31 March 2021, the total amount of short-term loan limits secured by the BGK guarantee was PLN 195 million, and their use was PLN 120 million. As at the date of this report, the Company has another loan secured under the anti-crisis shield in the amount of PLN 50 million. It will increase the available lines in the second quarter of 2021.

The Company also has working capital loans active as at the date of these financial statements, maturing within 12 months from the date of the last extension. The total amount of financing available under these loans is PLN 104 million and their use is PLN 52.2 million. In each adopted model, the Management Board assumes that all current credit limits in current accounts will be extended for subsequent periods in unchanged amounts

On 23 December 2020, the first bond issue in the amount of PLN 125 million took place as part of the bond issue program established on 18 November 2020 in cooperation with BNP Paribas Bank Polska S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Santander Bank Polska S.A. The program enables multiple bond issues in accordance with the bond issue terms and conditions set for each series, up to the total value of all issues of PLN 1,000,000,000. The issue was in demand with a

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wide group of investors and was made public by listing it on the ASO (Catalyst) market on stock market.

The Company uses minimal financing of fixed assets through leasing. As at 31 March 2021, the Company had active leasing contracts in two financial institutions with a total exposure of PLN 1.56 million. The additional impact of IFRS 16 was presented in the statement of financial position.

In order to continue operating activities, and in particular to ensure financing of the supply chain, the Company maintains limits in factoring institutions in the following amounts: (1) reverse factoring - PLN 2.16 billion and (2) factoring of receivables - PLN 315 million. Part of the factoring program in the amount of PLN 125 million is guaranteed as part of the anti-crisis shield, with an 80% guarantee from Bank Gospodarstwa Krajowego.

The use of factoring lines amounts to PLN 1.04 billion in reverse factoring programs and PLN 160.7 million in receivables factoring programs, respectively.

The prepared financial model in the negative scenario version assumes a decrease in sales compared to the budget by approx. 11% in the second quarter of 2021 and by approx. 5% in the third and fourth quarter of 2021. In this scenario, the minimum surplus of available credit limits within the terms of the applicable agreements, over the estimated demand for debt financing resulting from the forecast of operating and investment flows and taking into account the seasonality of sales, amounts to approximately PLN 240 million.

On the basis of the above models, the Company monitors and prepares projections of meeting the financial ratios in accordance with the loan agreements (covenants). In each of the future reporting periods covered by the analysis, until the end of 2021, these ratios meet the level required by the banks financing the Company.

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

## 2. NOTES TO CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2021 TO 31.03.2021

### NOTE 1. OTHER EXPLANATORY INFORMATION

#### Financial costs

The decrease in financial costs in 1Q 2021 comparing to 1Q 2020 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 quarter of 2021 was PLN 13.5 m, in the first quarter of 2020 PLN 29,7 m).

#### Income tax

The effective tax rate equals 12,1%. It is influenced by permanent differences being the balance sheet cost, but excluded from tax costs in the amount of approximately PLN 1,3 million.

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2021	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

### 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 investing activities.

### Inventories

#### WRITE-OFF OF INVENTORIES IN THE PERIOD FROM 01.01 TO 31.03.2021

	for the period from 01.01.2021 to 31.03.2021	for the period from 01.01.2020 to 31.12.2020
<b>Opening balance</b>	<b>20 368 770</b>	<b>17 755 933</b>
- increase *	-	2 612 837
- decrease *	(954 316)	-
<b>Closing balance</b>	<b>19 414 454</b>	<b>20 368 770</b>

\* net value

### 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 2021, 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 quarter of the year.

The financial capacity of the Company's recipients in connection with Covid-19 was further analyzed.

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#### AGING OF TRADE RECEIVABLES AS AT 31.03.2021

	Trade receivables gross value 31.03.2021	Trade receivables gross value 31.12.2020
current	927 628 075	974 643 743
1-30 days	94 737 114	67 754 628
31-90 days	15 518 167	34 657 392
91-180 days	7 530 674	6 336 314
> 180 days	28 556 303	29 054 537
	<b>1 073 970 332</b>	<b>1 112 446 614</b>

#### WRITE-OFF OF TRADE RECEIVABLES AS AT 31.03.2021

	for the period from 01.01.2021 to 31.03.2021	for the period from 01.01.2020 to 31.12.2020
Opening balance	48 570 830	38 655 791
Increase *	-	9 915 039
Decrease *	(3 543 457)	-
Closing balance	<b>45 027 373</b>	<b>48 570 830</b>

\* 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:

	3 months ended 31.03.2021	Year ended 31.12.2020
Opening balance	(21 098 152)	(842 825)
Effective part of the profit / loss on the hedging instrument	6 171 230	(20 255 327)
Amounts charged to the profit and loss account, including:	-	-
- interest expense adjustment	-	-
- hedge ineffectiveness adjustment	-	-
Closing balance	(14 926 922)	(21 098 152)
Deferred tax asset recognized in the revaluation reserve	2 836 115	4 008 649
Closing balance including deferred tax	(12 090 807)	(17 089 503)

#### 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

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31 March 2021, the value of balances covered by the supplier financing program was recognized in the amount of PLN 1,039,775,965 while as at 31 December 2020 the corresponding value of balances was PLN 1,119,586,687.

Aging of trade liabilities is presented below.

<b>Aging of trade liabilities as at 31.03.2021</b>		
	<b>31.03.2021</b>	<b>31.12.2020</b>
current	2 613 212 758	2 622 500 368
1-30 days	-	-
31-90 days	-	-
91-180 days	-	-
> 180 days	-	-
	<b>2 613 212 758</b>	<b>2 622 500 368</b>

## **NOTE 2. 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.

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### NOTE 3. ITEMS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

#### CONTINGENCES AS AT 31.03.2021

Beneficiary	Title	Currency	as at	as at
			31.03.2021	31.12.2020
Bank 1 **	Surety for the Eurocash Group companies regarding the cash pool agreement in the amount of the credit limit	PLN	2 100 000 000	2 100 000 000
Bank 2 **	Surety for the Eurocash Group companies regarding the cash pool agreement in the amount of the credit limit	PLN	2 160 000 000	2 160 000 000
Bank 2 ***	Surety for liabilities resulting from the "Franchise Partners Financing Program" for the Franchisee of Delikatesy Centrum	PLN	411 263	714 908
Bank 4 ***	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Lease Agreement	PLN	1 111 344	1 236 613
Bank 4 ***	Surety for liabilities of Partnerski Serwis Detaliczny S.A. under the Lease Agreement	PLN	47 452	48 804
Bank 5 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Factoring Agreement	PLN	300 000 000	300 000 000
Bank 6 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Current Loan Agreement Agreement	PLN	165 000 000	165 000 000
Bank 7 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Factoring Agreement	PLN	50 000 000	50 000 000
Bank 8 **	Surety for loan of Frisco S.A.	PLN	15 000 000	15 000 000
Bank 8**	Agreement surety for transactions on the financial market of FRISCO S.A.	PLN	2 150 000	-
Bank 4 ***	Guarantee of the revolving loan of Frisco S.A.	PLN	20 228 947	21 081 630
Company 1 **	Surety for trade liabilities of Eurocash Serwis Sp. z o.o.	PLN	1 000 000	1 000 000
Company 2 **	Surety for non-trade liabilities of ABC na kolach Sp. z o.o.	PLN	200 000	200 000
Company 3 **	Surety for trade liabilities of ABC na kolach Sp. z o.o.	PLN	300 000	300 000
Bank 9 **	Surety for liabilities of Group Companies due to Factoring Agreement	PLN	300 000 000	300 000 000
Company 5 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	53 789 124	53 263 963
Company 4 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	6 678 010	-
Bank 8 **	Surety for liabilities of Frisco S.A. due to the factoring agreement	PLN	2 000 000	2 000 000
Company 6 **	Surety for non-trade liabilities of Delikatesy Centrum Sp. z o.o.	PLN	5 900 000	-
Company 7 **	Surety for trade liabilities of Frisco S.A.	PLN	3 350 000	2 930 000
Company 2 **	Surety for non-trade liabilities of Frisco S.A.	PLN	300 000	400 000
			<b>5 187 466 141</b>	<b>5 173 175 918</b>

\*\* 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 31 March 2021 contingences of Eurocash S.A. by debt value, amounted to PLN 1.222,6 million, while as at 31.12.2020 PLN 991,3 million.

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#### BANK GUARANTEES AS AT 31.03.2021

				as at	as at
	Bank quarantee drawer	Title	Currency	31.03.2021	31.12.2020
1	Bank 1	Security for rent liabilities *	PLN	2 228 456	2 206 699
2	Bank 2	Security for rent liabilities	PLN	8 497 346	8 497 346
3	Bank 3	Security for rent liabilities *	PLN	32 165 632	32 111 064
4	Bank 4	Security for excise duty	PLN	500 000	500 000
5	Bank 5	Payment security for suppliers *	PLN	4 660 300	4 614 800
6	Bank 6	Payment security for suppliers	PLN	40 400 000	40 400 000
7	Bank 7	Payment security for suppliers *	PLN	9 320 600	9 229 600
8	Bank 8	Security for payment with the use of national road	PLN	620 100	620 100
9	Bank 9	Payment security for suppliers	PLN	1 165 075	1 153 700
10	Bank 10	Payment security for suppliers *	PLN	19 500 000	19 500 000
11	Bank 11	Security for liabilities due to proper realisation of the agreement	PLN	8 875 182	8 875 182
				<b>127 932 692</b>	<b>127 708 492</b>

\* Guarantees in EUR were converted into PLN according to the average NBP exchange rate, respectively

31.03.2021; 1 EUR=4,6603 PLN,

31.12.2020; 1 EUR=4,6148 PLN

#### SECURITY ON ASSETS AS AT 31.03.2021

		Secure amount in PLN	Secure amount in PLN
Title	Secured property	as at 31.03.2021	as at 31.12.2020
Security of an agreement on a credit line Bank 1 **	Deposit on the inventories	90 000 000	90 000 000
Security of an agreement on a credit line Bank 2 **	Deposit on the Eurocash S.A. inventories	88 000 000	88 000 000
Security on the syndicated loan agreement **	Deposit on the Eurocash Serwis Sp. z o.o. shares	9 547 300	9 547 300
Security on the syndicated loan agreement **	Deposit on the Eurocash Franczyza Sp. z o.o. shares	3 800 000	3 800 000
Security of an EBOR credit **	Mortgage on 13 properties	333 750 000	333 750 000
Lease agreements (at net value of tangible fixed assets on the balance sheet date)	Deposit on fixed assets in leasing	689 139	562 552

\*\* minimal security nominal value

#### NOTE 4. 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.



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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 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.

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 of 12 May 2021, the case has not been completed.

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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 2021, 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 12 May 2021, the above-mentioned controls were not completed.

On 3 December 2020, the Head of the Wielkopolska Customs and Tax Office in Poznań issued a decision in which he specified the tax liability in the corporate income tax for 2014 in the amount of approximately PLN 11.3 million. The head of the Wielkopolska Customs and Tax Office in Poznań thus stated that Eurocash S.A. was understated by the amount of PLN 5.5 million of the tax due in the corporate income tax resulting from the overestimation of tax deductible costs due to depreciation of trademarks in the amount of PLN 28.8 million, which is a consequence of an incorrect - overestimated for tax purposes - initial value of intangible assets legal (trademarks). In response to the above-mentioned decision, on 5 February 2021, the Company appealed.

#### **Other administrative proceedings**

On 2 October 2020, the Company received the Order of the President of the Office of Competition and Consumer Protection of 28 September 2020 on the initiation of ex officio against Eurocash S.A. proceedings on practices dishonestly using contractual advantage. When initiating the proceedings, the President of UOKiK decided that it should be verified whether certain practices applied by Eurocash S.A. could be qualified as the use of contractual advantage. In the decision to initiate the procedure, the President of UOKiK pointed to two questionable forms of Eurocash settlements with suppliers - i.e. collecting remuneration for (i) general-network services / sales support services, and (ii) services to expand sales markets. As part of the pending proceedings, in response to the request of the President of the Office of Competition and Consumer Protection, the Company announced that since 2017 it has not received any remuneration for services to expand sales markets, while in the period from 01.01.2019 to 31.10.2020 it charged suppliers with a total amount of approx. PLN 19 million for the provision of general-network services / sales support. As part of the ongoing proceedings, we answer all questions of the President of the Office of Competition and Consumer Protection and explain any doubts on an ongoing basis. The proceedings are at a very early stage, therefore the Management Board of the Company is currently unable to estimate the effects (including financial) of the proceedings initiated by the President of the Office of Competition and Consumer Protection. We also point out that the obligation to pay a possible fine imposed by the President of the Office of Competition and Consumer Protection arises only after the decision becomes final - i.e. after the judgment is issued by the Court of Second Instance (Court of Appeal). Under the present conditions, the duration of the proceedings from the issuance of the decision to the issuance of a final judgment by the Court of Appeal is approximately 4-5 years.

Eurocash also provided the President of the Office of Competition and Consumer Protection with information as part of the ongoing investigations regarding whether the buyers of agricultural and food products do not unjustifiably extend the payment terms for products purchased from suppliers. After analyzing overdue liabilities towards suppliers, Eurocash states that the main reasons for their creation are:

(i) errors in the data included in the invoices consisting in inconsistencies between the content of the order placed by Eurocash or the goods receipt document and the data resulting from the VAT invoice, which should always be consistent. Any discrepancies regarding the difference between the quantity of products indicated in the VAT invoice or their price and the quantity or price indicated in the order or

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the goods receipt document results in the necessity to initiate an explanatory procedure, in which both persons from the accounting, logistics and purchasing department of Eurocash and on the part of the supplier, which often results in the expiry of the payment deadline before the final clarification of the identified non-conformities,

(ii) delays in the delivery of invoices by suppliers which, due to the invoice having to go through the approval, accounting and payment process, prevented timely payment.

The existence of liabilities that have not been settled on time is also related to the current mutual settlements of receivables between Eurocash and suppliers, as a result of which these liabilities are reduced or completely written off due to compensations made. It is a natural market practice that occurs continuously in relations with suppliers.

Eurocash has not taken and does not take any actions aimed at unjustified extension of payment terms in relation to suppliers.

In addition, in accordance with the Act on counteracting excessive delays in commercial transactions, the Company reported overdue payments for 2020. Based on the analysis, the sum of overdue receivables, which the company did not receive on time, significantly exceeds the unpaid liabilities.

The Company cooperates with the Office on an ongoing basis, providing timely replies to a number of other inquiries addressed by the President of the Office of Competition and Consumer Protection to the Company as part of the ongoing explanatory proceedings and FMCG market research.

#### **NOTE 5. 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 and as security he posted a deposit of PLN 95,746,906 for possible arrears.

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, the decision to bring Eurocash S.A. to liability for the risk of a fine for the former employee of the Company and the obligation to return property benefits. Following this decision, the prosecutor, on the same day, issued a decision securing Eurocash's property for the enforcement of a potential judgment against the former employee. The security was made by seizing the amount of PLN 65,889,015, which had previously been paid by the Company on August 24, 2017 to the bank account of the Head of the First Wielkopolska Tax Office in Poznań. As a result of a complaint submitted by the Company on July 22, 2020, the District Court in Poznań revoked the decision on the security. Thus, the security collapsed.

The Company entered the amount of PLN 43,479,521 against the Company's current tax liabilities, from the pool of the previously paid security for the payment of any VAT liability (the current security for any arrears is PLN 52,267,381).

The amount of the Security was estimated in 2017 as the maximum amount of the possible VAT arrears of the Company, assuming the worst-case scenario, i.e. unreliability of a very large number of

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the Company's contractors participating in the intra-Community supply of the Company's goods. At the moment, based on the analysis of tax inspection files and tax proceedings and the results of internal analyzes, the Company concluded that the Security is too high in relation to the amount of potential VAT arrears (if such arrears exist at all), as the information obtained shows that a significant part of buyers, originally classified as a potential risk group, settled transactions with the Company correctly in another EU country, showing intra-Community acquisitions of goods there and accounted for the VAT due on this account.

**NOTE 6.**  
**OTHER 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.

**1. COVID-19**

In March 2020, the SARS-CoV-2 coronavirus and its disease, known as Covid-19, began spreading as a pandemic. Due to this fact, a number of preventive measures have been taken to limit the spread of the virus, also in Poland. In the second half of March 2020, i.a. prohibitions and restrictions on conducting activities for certain types of business entities. Due to the improvement in the situation in the middle of the year, most of these restrictions were withdrawn. As of today, due to the falling number of cases, the restrictions and restrictions introduced earlier are being gradually lifted (including the movement of children and the elderly, restrictions on the operation of cinemas, theaters, restaurants and shops). As the situation is very dynamic (both in Poland and abroad), the Company monitors the situation on an ongoing basis and follows the recommendations of the Chief Sanitary Inspector and other services in Poland. The activities of the Company to date have focused primarily on implementing the recommendations of sanitary services aimed at limiting the spread of Covid-19 and ensuring, as much as possible, the safety of employees while enabling them to work uninterrupted. Subsequently, the Company focused on minimizing the negative impact of Covid-19, primarily in the area of sales. So far, the costs incurred by the Company related to the Covid-19 pandemic have mainly been in the area of HR and administration. They were associated with temporarily higher costs of remuneration for employees and the purchase of personal protective equipment intended for them. Additionally, in connection with the Covid-19 pandemic, the Company recorded an increase in sales in the retail segment and in wholesale segments that cooperate with independent and franchise stores.

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 functioning of the Company and its subsidiaries in the future.

**2. Acquisition of 49% of shares in the company operating the Arhelan chain of stores.**

On 11 March 2021, Eurocash S.A. and Arhelan, as well as Arhelan's existing shareholders, signed an investment agreement, which is also a preliminary share sale agreement ("Investment Agreement") for the purchase of shares in Arhelan and defining the terms of Arhelan's cooperation with the Eurocash Group, including the franchise agreement regarding the target participation of Arhelan within the structures franchise Delikatesy Centrum under the logo of Delikatesy Centrum and Polskie Sklepy Arhelan.

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### 3. Strategic options for the Group's development.

On 28 January 2021, the Management Board of Eurocash SA decided to start the process of reviewing the potential strategic options for the development of the Eurocash Group, and for this purpose, on 29 January 2021, it signed an agreement with a strategic advisor and then engaged / entered into agreements with financial and commercial advisors, who will help the Company in identifying and potentially selecting optimal strategic options. The review of strategic options is aimed at selecting the most advantageous way to achieve the long-term goal of the Company, which is the development of the Group leading to maximization of value for the current and future shareholders of the Company.

#### NOTE 7.

#### IMPORTANT EVENTS AFTER THE PERIOD COVERED BY THE FINANCIAL STATEMENTS

Management Board of Eurocash S.A. by resolution No. 5 of 27 April 2021, the Ordinary General Meeting of EUROCASH S.A. decided to pay THE dividend. Shareholders of the Company as at 16 June 2021 will receive a dividend of PLN 0.48.

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## SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
Management Board Member Human Resources Director	Katarzyna Kopaczewska	12 <sup>th</sup> May 2021	
Management Board Member Financial Director	Jacek Owczarek	12 <sup>th</sup> May 2021	

**EUROCASH GROUP S.A.**

**REPORT OF THE MANAGEMENT BOARD**

FOR THE PERIOD FROM 1<sup>st</sup> JANUARY 2021 TO 31<sup>st</sup> MARCH 2021



**NOTE FROM TRANSLATOR**

This document is a translation from Polish.

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

**KOMORNIKI, 12<sup>th</sup> May 2021**

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## EUROCASH GROUP – REPORT OF THE MANAGEMENT BOARD 1Q 2021

### 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”;
- **Delikatesy Centrum own retail stores** – own retail stores operating by companies that FHC-2 Sp. z o.o., Madas Sp. z o.o., Podlaskie Delikatesy Centrum Sp. z o.o. and stores under the Lewiatan brand, managed by Partner Sp. z o.o., in which Eurocash holds 100% of shares, and Firma Rogala Sp. z o.o., in which Eurocash holds 50% of shares,
- **Inmedio** – press retail kiosks under Inmedio and Inmedio Trendy brand

**Projects** – sales revenue of new projects running by Eurocash S.A. and its subsidiaries: Frisco S.A., Kontigo Sp. z o.o., ABC na kołach Sp. z o.o., Duży Ben Sp. z o.o., Innowacyjna Platforma Handlu Sp. z o.o., 4Vapers Sp. z o.o.

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**Others** – sales revenue and costs of other companies through Eurocash Trade 1 Sp. z o.o., Eurocash Trade 2 Sp. z o.o. in liquidation, 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. Summary of financial and operational results of Eurocash Group in 1Q 2021

Below we present the key financial and operational highlights for the Eurocash Group and for the following segments and distribution formats:

### ***Profit & loss account***

**Table 1: Eurocash Group: Summary of consolidated financial results for 1Q 2021**

	1Q 2021	1Q 2020	Change %
PLN m			
Sales revenues (traded goods, materials)	5 812,10	5 919,10	-1,81%
Gross profit (loss) on sales	743,12	787,62	-5,65%
Gross profitability on sales (%)	12,79%	13,31%	-0,52 p.p.
EBITDA	115,93	126,16	-8,11%
(EBITDA margin %)	1,99%	2,13%	-0,13 p.p.
EBIT	(33,62)	(10,41)	222,97%
(EBIT margin %)	-0,58%	-0,18%	-0,4 p.p.
Gross profit	(65,88)	(65,56)	0,49%
Net Income	(70,91)	(62,00)	14,37%
(Net profitability %)	-1,22%	-1,05%	-0,17 p.p.

Consolidated total sales of Eurocash Group in 1Q 2021 amounted to PLN 5 812,10 m and decreased by 1.81% YoY. The main driver of sales decrease was lower Cash&Carry sales.

Consolidated gross profitability in 1Q 2021 amounted to 12,80% and decreased by 0,5 p.p. comparing to 1Q 2020. Decrease of gross profitability was driven mainly by Cash&Carry business and retail segment.

Consolidated EBITDA in 1Q 2021 amounted to PLN 115,93 m and decreased by 8,11% YoY. EBITDA decrease was attributable mainly to retail segment decline.

The net loss amounted to PLN -70,91 m in 1Q 2021 comparing with the net loss at level of PLN -62,00 m in 1Q 2020. Net profit was affected by weaker retail segment results.

## Sales by format

**Table 2: Eurocash Group: External sales of goods dynamics by distribution format for 1Q 2021**

PLN m	1Q 2021	1Q 2020	Change %
<b>Wholesale</b>	<b>4 184,37</b>	<b>4 362,31</b>	<b>-4,1%</b>
Cash&Carry	944,02	1 079,95	-12,6%
Tobacco	1 682,01	1 676,46	0,3%
Distribution	1 524,01	1 545,96	-1,4%
Food Service	30,07	56,65	-46,9%
Other	4,27	3,29	29,5%
<b>Retail</b>	<b>1 477,25</b>	<b>1 486,46</b>	<b>-0,6%</b>
Delikatesy Centrum Franchise	583,47	559,25	4,3%
Supermarkets Own	784,41	816,53	-3,9%
Inmedio	109,36	110,69	-1,2%
<b>Projects</b>	<b>118,68</b>	<b>38,04</b>	<b>212,0%</b>
<b>Eurocash Group</b>	<b>5 780,30</b>	<b>5 886,81</b>	<b>-1,8%</b>

## Wholesale

- In 1Q 2021 external sales of goods in Wholesale segment amounted to PLN 4 184,37 m and decreased by 4,1% comparing with 1Q 2020.
- EBITDA of the Wholesale segment amounted in 1Q 2021 to PLN 117,74 m while in 1Q 2020 it amounted to PLN 106,81 m. EBITDA in 1Q 2021 was driven mainly by digitalization process.
- LFL sales growth (same number of stores) in Eurocash Cash&Carry stores in 1Q 2021 amounted to -12,59%.
- The number of Eurocash Cash&Carry stores at the end of 1Q 2021 amounted to 180.
- The number of abc stores amounted to 9 317 at the end of 1Q 2021 which is an increase of 422 stores YoY.
- Number of partnership or franchise stores organized by companies belonging to Eurocash Group (Groszek, Euro Sklep, Lewiatan and PSD) amounted to 5 345 stores as of the end of 1Q 2021 which is an increase of 223 stores YoY.
- Sales of cigarettes Tobacco & Impulse distribution format in terms of volume amounted in 1Q 2021 to 2 566 m pieces and decreased by -1,3% YoY.
- Sales of cigarettes in terms of value increased by 0,5% in 1Q 2021 YoY.

## Retail

- Sales of goods realized by Retail segment in 1Q 2021 amounted to PLN 1 477,25 m and decreased by -0,6%.
- EBITDA of the Retail segment in 1Q 2021 amounted to PLN 35,82 m comparing to PLN 60,12 m in 1Q 2020. The decrease in EBITDA was driven by own stores performance.
- LFL growth of wholesale sales realized by Eurocash to "Delikatesy Centrum" franchise stores amounted to 2,50% in 1Q 2021.
- LFL growth of retail sales of "Delikatesy Centrum" franchise stores amounted to -3,99% in 1Q 2021.
- LFL dynamic of retail sales in 1Q 2021 amounted in Inmedio stores to 1,89% YoY.

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- Number of Small Supermarkets in 1Q 2021 amounted to 1 586, including 976 Franchise stores and 610 Own stores. Total number of Small Supermarkets increased by 26 stores in 1Q 2021 YoY.
- Number of total “Delikatesy Centrum” stores at the end of 1Q 2021 amounted to 1 547.
- Number of Inmedio stores at the end of 1Q 2021 amounted to 433 stores.

### Projects

- Sales of goods realized by Projects segment in 1Q 2021 amounted to PLN 118,68 m comparing to PLN 38,04 m in 1Q 2020. Sales increase was due to appearance in consolidation of Frisco and further expansion of Duży Ben with 142 stores at the end of 1Q 2021. Kontigo number of stores reached 35 at the end of 1Q 2021 and abc on wheels ended the quarter with 101 vans.
- EBITDA of Projects segment in 1Q 2021 amounted to negative PLN -10,96 m comparing to result of PLN -12,93 m in 1Q 2020.

### Others

- EBITDA of Others segment amounted in 1Q 2021 to PLN -26,68 m comparing to PLN -27,83 m in 1Q 2020.

## Operating segments

Below we present quarter results of each segment for years 2020-2021.

**Table 3: Eurocash Group: Operating segments results in Q1 2021**

<b>1Q 2021 (PLN m)</b>	<b>Wholesale</b>	<b>Retail</b>	<b>Projects</b>	<b>Others</b>	<b>Total</b>
Sales revenue from traded goods	4 184,38	1 477,25	118,68	0,00	<b>5 780,30</b>
EBIT	51,38	-31,54	-22,09	-31,37	<b>-33,62</b>
<i>(EBIT margin %)</i>	<i>1,23%</i>	<i>-2,14%</i>	<i>-18,62%</i>	<i>0,00%</i>	<b><i>-0,58%</i></b>
EBITDA	117,74	35,82	-10,96	-26,68	<b>115,93</b>
<i>(EBITDA margin %)</i>	<i>2,81%</i>	<i>2,43%</i>	<i>-9,23%</i>	<i>0,00%</i>	<b><i>2,01%</i></b>

**Table 4: Eurocash Group: Operating segments results in 2020**

<b>1Q 2020 (PLN m)</b>	<b>Wholesale</b>	<b>Retail</b>	<b>Projects</b>	<b>Others</b>	<b>Total</b>
Sales revenue from traded goods	4 362,31	1 486,46	38,04	0,00	<b>5 886,81</b>
EBIT	43,96	-5,52	-17,43	-31,42	<b>-10,41</b>
<i>(EBIT margin %)</i>	<i>1,01%</i>	<i>-0,37%</i>	<i>-45,81%</i>	<i>0,00%</i>	<b><i>-0,18%</i></b>
EBITDA	106,81	60,12	-12,93	-27,83	<b>126,16</b>
<i>(EBITDA margin %)</i>	<i>2,45%</i>	<i>4,04%</i>	<i>-33,98%</i>	<i>0,00%</i>	<b><i>2,14%</i></b>
<b>2Q 2020 (PLN m)</b>	<b>Wholesale</b>	<b>Retail</b>	<b>Projects</b>	<b>Other</b>	<b>Total</b>
Sales revenue from traded goods	4 657,13	1 476,95	44,47	0,00	<b>6 178,55</b>
EBIT	106,71	16,05	-13,40	-37,17	<b>72,18</b>
<i>(EBIT margin %)</i>	<i>2,29%</i>	<i>1,09%</i>	<i>-30,14%</i>	<i>0,00%</i>	<b><i>1,17%</i></b>
EBITDA	167,51	81,68	-5,89	-32,83	<b>210,46</b>
<i>(EBITDA margin %)</i>	<i>3,60%</i>	<i>5,53%</i>	<i>-13,25%</i>	<i>0,00%</i>	<b><i>3,41%</i></b>
<b>3Q 2020 (PLN m)</b>	<b>Wholesale</b>	<b>Retail</b>	<b>Projects</b>	<b>Other</b>	<b>Total</b>
Sales revenue from traded goods	5 259,35	1 577,15	100,19	0,00	<b>6 936,69</b>
EBIT	124,52	12,76	-14,70	-34,68	<b>87,90</b>
<i>(EBIT margin %)</i>	<i>2,37%</i>	<i>0,81%</i>	<i>-14,67%</i>	<i>0,00%</i>	<b><i>1,27%</i></b>
EBITDA	184,94	76,41	-5,88	-30,39	<b>225,08</b>
<i>(EBITDA margin %)</i>	<i>3,52%</i>	<i>4,84%</i>	<i>-5,87%</i>	<i>0,00%</i>	<b><i>3,24%</i></b>
<b>4Q 2020 (PLN m)</b>	<b>Wholesale</b>	<b>Retail</b>	<b>Projects</b>	<b>Other</b>	<b>Total</b>
Sales revenue from traded goods	4 613,82	1 550,55	117,71	0,00	<b>6 282,08</b>
EBIT	111,38	31,72	-21,07	-21,27	<b>100,76</b>
<i>(EBIT margin %)</i>	<i>2,41%</i>	<i>2,05%</i>	<i>-17,90%</i>	<i>0,00%</i>	<b><i>1,60%</i></b>
EBITDA	169,61	97,21	-8,37	-16,22	<b>242,23</b>
<i>(EBITDA margin %)</i>	<i>3,68%</i>	<i>6,27%</i>	<i>-7,11%</i>	<i>0,00%</i>	<b><i>3,86%</i></b>

**Table 5: Eurocash Group: Operating segments results in 2020 YTD**

<b>1Q YTD` (PLN m)</b>	<b>Wholesale</b>	<b>Retail</b>	<b>Projects</b>	<b>Others</b>	<b>Total</b>
Sales revenue from traded goods	4 362,31	1 486,46	38,04	0,00	<b>5 886,81</b>
EBIT	43,96	-5,52	-17,43	-31,42	<b>-10,41</b>
<i>(EBIT margin %)</i>	<i>1,01%</i>	<i>-0,37%</i>	<i>-45,81%</i>	<i>0,00%</i>	<b><i>-0,18%</i></b>
EBITDA	106,81	60,12	-12,93	-27,83	<b>126,16</b>
<i>(EBITDA margin %)</i>	<i>2,45%</i>	<i>4,04%</i>	<i>-33,98%</i>	<i>0,00%</i>	<b><i>2,14%</i></b>
<b>2Q YTD 2020 (PLN m)</b>	<b>Wholesale</b>	<b>Retail</b>	<b>Projects</b>	<b>Other</b>	<b>Total</b>
Sales revenue from traded goods	9 019,44	2 963,40	82,51	0,00	<b>12 065,36</b>
EBIT	150,67	10,52	-30,83	-68,59	<b>61,77</b>
<i>(EBIT margin %)</i>	<i>1,67%</i>	<i>0,36%</i>	<i>-37,37%</i>	<i>0,00%</i>	<b><i>0,51%</i></b>
EBITDA	274,31	141,79	-18,82	-60,66	<b>336,63</b>
<i>(EBITDA margin %)</i>	<i>3,04%</i>	<i>4,78%</i>	<i>-22,81%</i>	<i>0,00%</i>	<b><i>2,79%</i></b>
<b>3Q YTD 2020 (PLN m)</b>	<b>Wholesale</b>	<b>Retail</b>	<b>Projects</b>	<b>Other</b>	<b>Total</b>
Sales revenue from traded goods	14 278,80	4 540,55	182,70	0,00	<b>19 002,04</b>
EBIT	275,19	23,28	-45,53	-103,27	<b>149,67</b>
<i>(EBIT margin %)</i>	<i>1,93%</i>	<i>0,51%</i>	<i>-24,92%</i>	<i>0,00%</i>	<b><i>0,79%</i></b>
EBITDA	459,26	218,20	-24,70	-91,05	<b>561,71</b>
<i>(EBITDA margin %)</i>	<i>3,22%</i>	<i>4,81%</i>	<i>-13,52%</i>	<i>0,00%</i>	<b><i>2,96%</i></b>
<b>4Q YTD 2020 (PLN m)</b>	<b>Wholesale</b>	<b>Retail</b>	<b>Projects</b>	<b>Other</b>	<b>Total</b>
Sales revenue from traded goods	18 892,61	6 091,10	300,41	0,00	<b>25 284,13</b>
EBIT	386,57	55,00	-66,60	-124,54	<b>250,43</b>
<i>(EBIT margin %)</i>	<i>2,05%</i>	<i>0,90%</i>	<i>-22,17%</i>	<i>0,00%</i>	<b><i>0,99%</i></b>
EBITDA	628,87	315,41	-33,07	-107,27	<b>803,94</b>
<i>(EBITDA margin %)</i>	<i>3,33%</i>	<i>5,18%</i>	<i>-11,01%</i>	<i>0,00%</i>	<b><i>3,18%</i></b>



## Cash flow

**Table 6: Eurocash Group: Consolidated cash flow for 1Q 2021**

	1Q 2021	1Q 2020
PLN m		
Operating cash flow	(21,76)	(39,62)
<i>Gross profit (loss)</i>	(65,88)	(65,56)
<i>Depreciation</i>	149,55	136,57
<i>Change in working capital</i>	(132,67)	(112,76)
<i>Other</i>	27,24	2,12
Cash flow from investments	(43,83)	(58,62)
Cash flow from financing activities	63,41	73,30
Total cash flow	(2,18)	(24,94)

Total cash flow in 1Q 2021 amounted to PLN -2,18 m, while the operating cash flow reached PLN -21,76m. Cash flow from investments amounted to PLN -43,83 m and cash flow from financing activities amounted in 1Q 2021 to PLN 63,41 m.

Net debt of Eurocash Group at the end of March 2021 amounted to PLN 2 901.71 m comparing to result of PLN 2 537.66 m at the end of March 2020. The net debt/EBITDA ratio calculated according to the rules of bank covenants (before IFRS16) was 2.3 and met the requirements.

Eurocash Group maintained stable level of cash generation from operations cash flow in connection with growth of its scale. It allows to continue investment strategy (including M&A) and keep net debt/EBITDA at stable level.

## Working capital

**Table 7: Eurocash Group: Consolidated working capital ratios flow for 1Q 2021**

Turnover in days	1Q 2021	1Q 2020
1. Inventories turnover	21,70	22,63
2. Trade receivables turnover	21,46	21,51
3. Trade liabilities turnover	(65,40)	(69,24)
4. Operating cycle (1+2)	43,16	44,14
5. Cash conversion (4+3)	(22,24)	(25,10)

Cash conversion in 1Q 2021 reached -22,24 days comparing with -25,10 days in 1Q 2020. Changes of rotation of each part of working capital was mainly due to different sales mix together with fast growing Tobacco distribution format and the introduction of control mechanisms to adjust the rotation of liabilities to the requirements of the Act on amending certain laws to reduce payment congestion.

### **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 are presented below:

**Table 8: Eurocash Group: Selected consolidated balance sheet items.**

PLN m	31.03.2021		31.12.2020	
Fixed assets	5 179,67	62,33%	5 096,73	63,19%
Current assets	3 127,13	37,67%	2 969,06	36,81%
Total assets	8 306,80	100,00%	8 065,79	100,00%
Equity	940,29	11,32%	1 002,84	12,43%
Liabilities and provisions	7 366,51	88,68%	7 062,95	87,57%
Total liabilities and equity	8 306,80	100,00%	8 065,79	100,00%

Net debt of Eurocash Group at the end of March 2021 amounted to PLN 2 901.71 m, while at the end of March 2020 it reached PLN 2 537.66 m.

### 3. Summary of financial results of Eurocash S.A. in 1Q 2021

#### Profit & loss account

**Table 9: Eurocash S.A.: Summary of financial results for 1Q 2021**

	1Q 2021	1Q 2020	Change %
PLN m			
Sales revenues (traded goods, materials)	3 617,76	3 743,54	-3,36%
Gross profit (loss) on sales	379,23	418,49	-9,38%
Gross profitability on sales (%)	10,48%	11,18%	-0,7 p.p.
EBITDA	81,90	71,56	14,45%
(EBITDA margin %)	2,26%	1,91%	0,35 p.p.
EBIT	2,64	0,59	348,77%
(EBIT margin %)	0,07%	0,02%	0,06 p.p.
Gross profit	(19,11)	(42,90)	-55,45%
Net Income	(16,81)	(37,28)	-54,92%
(Net profitability %)	-0,46%	-1,00%	0,53 p.p.

Sales of Eurocash S.A. in 1Q 2021 amounted to PLN 3 617,76 m and decreased by -3,36% YoY.

Gross margin on sales realized by Eurocash S.A. in 1Q 2021 amounted to 10,48%.

In 1Q 2021 EBITDA amounted to PLN 81,90 m. The net profit in 1Q 2021 amounted to PLN -16,81 m.

#### Cash flow

**Table 10: Eurocash S.A.: Cash flow for 1Q 2021**

	1Q 2021	1Q 2020
PLN m		
Operating cash flow	61,40	(108,99)
Gross profit (loss)	(19,11)	(42,90)
Depreciation	79,26	70,97
Change in working capital	(25,42)	(157,25)
Other	26,67	20,19
Cash flow from investments	(31,58)	(30,90)
Cash flow from financing activities	(27,73)	151,07
Total cash flow	2,09	11,17

Total cash flow of Eurocash S.A. in 1Q 2021 amounted to PLN 2,09 m and operating cash flow amounted to negative PLN 61,40 m.

### **Working capital**

**Table 11: Eurocash S.A.: Working capital ratios for 1Q 2021**

Turnover in days	1Q 2021	1Q 2020
1. Inventories turnover	19,80	21,53
2. Trade receivables turnover	25,60	27,41
3. Trade liabilities turnover	(72,62)	(76,75)
4. Operating cycle (1+2)	45,40	48,93
5. Cash conversion (4+3)	(27,22)	(27,82)

Cash conversion of Eurocash S.A. in 1Q 2021 amounted to -27,22 days in comparison to the -27,82 days reached in 1Q 2020.

### **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 are presented in the table below:

**Table 12: Eurocash S.A.: Selected balance sheet items**

PLN m	31.03.2021		31.12.2020	
Fixed assets	4 599,46	70,05%	4 574,82	70,50%
Current assets	1 966,64	29,95%	1 913,93	29,50%
Total assets	6 566,10	100,00%	6 488,75	100,00%
Equity	1 207,14	18,38%	1 218,95	18,79%
Liabilities and provisions	5 358,96	81,62%	5 269,80	81,21%
Total liabilities and equity	6 566,10	100,00%	6 488,75	100,00%

## **4. 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

## 5. Major events and factors that influenced consolidated income or loss in 1Q 2021

### *COVID-19*

In connection with the occurrence of the COVID 19 pandemic in Poland in 2020, Eurocash Group incurred costs related to the adjustment of its operations to the pandemic situation. At the same time, Eurocash Group benefited from subsidies resulting from anti-crisis shields introduced by the Government.

### *Changes in equity*

In the period between 1<sup>st</sup> January 2021 and 31<sup>st</sup> March 2021 no shares were issued.

There have been no other major events that influenced Eurocash Group income or loss in 1Q 2021.

## 6. Development perspectives

### **External Factors**

### *COVID-19*

In connection with the situation of the SARS-CoV-2 coronavirus pandemic, 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.

### *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*

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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. At the beginning of 2021, the company additionally introduced a recovery program for its own stores, which covered 180 outlets. In case of part of them, the decision of continuation of further operations is expected within a few months in case of failure to achieve the assumed operational and financial indicators.

### *Development of Eurocash Retail segment<sup>1</sup>*

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

<sup>1</sup> 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.

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previous years, Group decided to expand: Duży Ben and Kontigo concepts as a franchise chain. Eurocash Group also intends to develop in the e-commerce segment through its company Frisco.

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

## 7. 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 1Q 2021, the traditional distribution channel was a significant form of FMCG retail distribution, representing the share of 34.6%<sup>2</sup>. 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 including expansion of discounters, responsible for 40,9%<sup>3</sup> of sales in Poland in the first quarter of 2021 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 analysed 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.

<sup>2</sup> Nielsen Retail Trade Panel, Value sales, period: January 2021 – March 2021, Food categories

<sup>3</sup> Ibidem

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## 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 in 1Q 2021 comprised 1 133 domestic 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 13: Risk management system**

Risk area	Risk examples	Elements of the risk management system - methods of monitoring and controlling
<b>Ethics and counteracting corruption</b>	<ul style="list-style-type: none"> <li>• Risk of public corruption</li> <li>• Risk of corruption in relations with contractors</li> <li>• Risk of fraud against employees</li> <li>• Risk of internal frauds</li> <li>• Risk of conflict of interest</li> </ul>	<ul style="list-style-type: none"> <li>• Eurocash Group's Code of Ethics</li> <li>• Eurocash Group values - clearly defined and communicated to employees</li> <li>• Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics</li> <li>• Introducing a procedure for dealing with reports, a reporting path, protecting whistleblowers from reprisals, discrimination or other unfair treatment, protecting personal data and maintaining confidentiality - compliant with the European Parliament and Council Directive (EU) 2019/1937 on whistleblowers and the Recommended Standards for anti-corruption compliance management systems and the whistleblower protection system in companies listed on the markets organized by the Warsaw Stock Exchange SA</li> <li>• Anti-mobbing policy</li> <li>• Training for employees on Eurocash Group values and ethics rules</li> <li>• Instructions for accepting gifts from contractors (giving gifts for charity)</li> <li>• Implementation of procedures and process for managing conflicts of interest, including a survey-declaration of actual or potential conflicts of interest.</li> </ul>
<b>Legal</b>	<ul style="list-style-type: none"> <li>• Risk of consumer law violation</li> <li>• Risk of competition law violation</li> <li>• Risk of forbidden agreements regulations violation</li> <li>• Risk of violating regulations on payment congestion</li> <li>• Risk of violating antitrust law</li> <li>• Risk of violation of personal data protection regulations</li> <li>• Risk of violating the provisions of the Commercial Companies Code</li> <li>• Risk of violating business secrecy and confidential data</li> <li>• Risk of regulated advertising and intellectual property regulations violation</li> </ul>	<ul style="list-style-type: none"> <li>• Policies and procedures to monitor compliance with consumer rights legislation</li> <li>• Training and awareness-raising of employees</li> <li>• Monitoring the profile and level of risks identified in the Group</li> <li>• Implementing an effective compliance system to monitor key risks on an ongoing basis, monitoring changes in the law, amending internal regulations in line with evolving legislation</li> <li>• Implementation of a system of periodical KRI (key risk indicators) on selected risk areas in order to identify and monitor breaches of implemented rules and processes</li> <li>• Implementing a unified system of creating and publishing marketing content</li> </ul>

<b>Taxes</b>	<ul style="list-style-type: none"> <li>• Risk of improper calculation and/or recognition of PIT / CIT / VAT</li> <li>• Risk of improper verification of contractors</li> <li>• Risk of non-effective implementation of procedures regarding tax reporting obligations</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of procedures to ensure proper calculation of tax liabilities</li> <li>• Designing tools to support the calculation of tax liabilities</li> <li>• Implementation of procedures concerning fulfillment of due diligence requirements towards contractors</li> <li>• Training on tax risks and the contractor verification process</li> </ul>
<b>Human resources/workplace</b>	<ul style="list-style-type: none"> <li>• Risk of losing employees</li> <li>• Risk of non-compliance with labor law by employees</li> <li>• Risk of low employee involvement</li> <li>• Risk of mobbing and other abuses towards employees</li> <li>• Risk of unfair assessment of employees' professional development</li> <li>• Risk of lack of professional development opportunities for employees</li> <li>• Risk of low employee satisfaction with work</li> </ul>	<ul style="list-style-type: none"> <li>• Procedures and instructions regulating the workplace, including work regulations, remuneration and employee bonuses regulations</li> <li>• Activities and agreements with trade unions</li> <li>• Established and uniform rules for the use of the Social Benefits Fund</li> <li>• Ensuring compliance with labor law by training for management and continuous monitoring of working time records</li> <li>• Procedures and instructions for hiring new employees</li> <li>• Benefits system for employees (private medical care, co-financing for sports activities)</li> <li>• Co-financing of education for employees</li> <li>• Cyclical survey of employees' opinions</li> <li>• Eurocash Group values - clearly defined and communicated to employees</li> <li>• Introducing a procedure for dealing with reports, a reporting path, protecting whistleblowers from reprisals, discrimination or other unfair treatment, protecting personal data and maintaining confidentiality - compliant with the European Parliament and Council Directive (EU) 2019/1937 on whistleblowers and the Recommended Standards for anti-corruption compliance management systems and the whistleblower protection system in companies listed on the markets organized by the Warsaw Stock Exchange SA</li> <li>• Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics</li> <li>• Work results management system</li> <li>• Annual employee development assessments</li> <li>• Talent development programs (Management Trainee and Sales &amp; Operational Trainee)</li> <li>• E-learning platform with numerous employee trainings</li> <li>• External training according to the needs of given roles / functions / departments</li> <li>• Anti-mobbing policy</li> <li>• Activity in social media</li> </ul>

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

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

## 8. Additional information

### Information regarding dividends

According to the resolution no 5 dated April 27, 2021 the Annual General Meeting of EUROCASH S.A. decided to pay the dividend from the Company's profit. The Annual General Meeting of Eurocash S.A. decided that the shareholders of the Company as at June 16, 2021 shall be entitled to receive the dividend in amount PLN 0.48 (forty eight groszes) per one Company's share; the dividend shall be payable by July 7, 2021. The number of dividend shares as of April 27, 2021 is 139,163,286.

### Explanations regarding seasonality

In FMCG wholesale sales are traditionally lower in 1Q, then sales peak during summer period and stabilize in the 4Q.

### Issuance, redemption and repayment of debt and capital securities

In the period between 1<sup>st</sup> January 2021 and 31<sup>st</sup> March 2021 no shares were issued.

As at March 31<sup>st</sup> 2021, the total value of bonds issued by Eurocash was PLN 125 000 000.

### Changes in Key Management Principles

In 1Q 2021 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 2021.

**Table 14: Shareholders owning directly or indirectly – through dependent entities – at least 5% of total number of votes at the general assembly**

Shareholder	12.05.2021				31.12.2020			
	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%
<b>Total</b>	<b>139 163 286</b>	<b>100,00%</b>	<b>139 163 286</b>	<b>100,00%</b>	<b>139 163 286</b>	<b>100,00%</b>	<b>139 163 286</b>	<b>100,00%</b>

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

**Table 15: 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	
	12.05.2021	31.12.2020
<b>Management Board members</b>		
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	1 055 803	1 055 803
Jacek Owczarek*	73 694	73 694
Przemysław Ciał	9 850	9 850
<b>Supervisory Board members</b>		
Hans-Joachim Körber	0	0
Jorge Mora	121 500	121 500
Renato Arie	0	0
Francisco José Valente Hipólito dos Santos	0	0
Przemysław Budkowski	0	0

\*indirectly through persons closely related

### Information on Court Proceedings

On 2 October 2020, the Company received the Order of the President of the Office of Competition and Consumer Protection of 28 September 2020 on the initiation of ex officio against Eurocash S.A. proceedings on practices dishonestly using contractual advantage. When initiating the proceedings, the President of UOKiK decided that it should be verified whether certain practices applied by Eurocash S.A. could be qualified as the use of contractual advantage. In the decision to initiate the procedure, the President of UOKiK pointed to two questionable forms of Eurocash settlements with suppliers - i.e. collecting remuneration for (i) general-network services / sales support services, and (ii) services to expand sales markets. As part of the pending proceedings, in response to the request of the President of the Office of Competition and Consumer Protection, the Company announced that since 2017 it has not received any remuneration for services to expand sales markets, while in the period from 01.01.2019 to 31.10.2020 it charged suppliers with a total amount of approx. PLN 19 million for the provision of general-network services / sales support. As part of the ongoing proceedings, we answer all questions of the President of the Office of Competition and Consumer Protection and explain any doubts on an ongoing basis. The proceedings are at a very early stage, therefore the Management Board of the Company is currently unable to estimate the effects (including financial) of the proceedings initiated by the President of the Office of Competition and Consumer Protection. We also point out that the obligation to pay a possible fine imposed by the President of the Office of Competition and Consumer Protection arises only after the decision becomes final - i.e. after the judgment is issued by the Court of Second Instance (Court of Appeal). Under the present conditions, the duration of the proceedings

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from the issuance of the decision to the issuance of a final judgment by the Court of Appeal is approximately 4-5 years.

Eurocash also provided the President of the Office of Competition and Consumer Protection with information as part of the ongoing investigations regarding whether the buyers of agricultural and food products do not unjustifiably extend the payment terms for products purchased from suppliers. After analyzing overdue liabilities towards suppliers, Eurocash states that the main reasons for their creation are:

- (i) errors in the data included in the invoices consisting in inconsistencies between the content of the order placed by Eurocash or the goods receipt document and the data resulting from the VAT invoice, which should always be consistent. Any discrepancies regarding the difference between the quantity of products indicated in the VAT invoice or their price and the quantity or price indicated in the order or the goods receipt document results in the necessity to initiate an explanatory procedure, in which both persons from the accounting, logistics and purchasing department of Eurocash and on the part of the supplier, which often results in the expiry of the payment deadline before the final clarification of the identified non-conformities,
- (ii) delays in the delivery of invoices by suppliers which, due to the invoice having to go through the approval, accounting and payment process, prevented timely payment.

The existence of liabilities that have not been settled on time is also related to the current mutual settlements of receivables between Eurocash and suppliers, as a result of which these liabilities are reduced or completely written off due to compensations made. It is a natural market practice that occurs continuously in relations with suppliers.

Eurocash has not taken and does not take any actions aimed at unjustified extension of payment terms in relation to suppliers.

In addition, in accordance with the Act on counteracting excessive delays in commercial transactions, the Company reported overdue payments for 2020. Based on the analysis, the sum of overdue receivables, which the company did not receive on time, significantly exceeds the unpaid liabilities.

The Company cooperates with the Office on an ongoing basis, providing timely replies to a number of other inquiries addressed by the President of the Office of Competition and Consumer Protection to the Company as part of the ongoing explanatory proceedings and FMCG market research.

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

In the 1Q 2021 companies belonging to Eurocash Group did not grant any surety for a credit or a loan nor did it grant any guarantee that could be considered significant.

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

In the 1Q 2021 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**

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

## 9. Factors that will affect the results achieved by the issuer

### *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. At the beginning of 2021, the company additionally introduced a recovery program for its own stores, which covered 180 outlets. In case of part of them, the decision of continuation of further operations is expected within a few months in case of failure to achieve the assumed operational and financial indicators.

### *Development of Eurocash Retail segment<sup>4</sup>*

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 strategic growth projects*

In order to preserve the competitiveness of independent stores in Poland, the Eurocash Group continues to invest in innovative projects, such as: Frisco, Duży Ben, abc on wheels, Kontigo and others. After successful development of projects: Faktoria Win, PayUp and distribution of high quality fresh products in previous years, Company decided to expand concepts: Duży Ben and Kontigo, as a franchise chain. Eurocash Group also intends to develop in the e-commerce segment through its company Frisco.

<sup>4</sup> 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.



#### 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 analysed 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.

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

#### Signatures of Management Board Members:

Position	Name and surname	Date	Signature
Management Board Member Financial Director	Jacek Owczarek	12 <sup>th</sup> May 2021	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	12 <sup>th</sup> May 2021	