



EUROCASH

CONSOLIDATED QUARTERLY REPORT

1st QUARTER 2022

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

	for the period from 01.01.2022 to 31.03.2022 PLN	for the period from 01.01.2021 to 31.03.2021 PLN	for the period from 01.01.2022 to 31.03.2022 EUR	for the period from 01.01.2021 to 31.03.2021 EUR
Sales	6 527 891 224	5 812 095 470	1 411 344 394	1 277 580 171
Operating profit (loss)	1 661 154	(33 619 919)	359 145	(7 390 130)
Profit (loss) before income tax	(39 208 564)	(65 876 172)	(8 476 977)	(14 480 507)
Profit (loss) for the on continued operations	(50 335 006)	(70 911 631)	(10 882 539)	(15 587 372)
Profit (loss) for the period	(50 335 006)	(70 911 631)	(10 882 539)	(15 587 372)
Net cash from operating activities	9 862 190	(21 758 870)	2 132 227	(4 782 905)
Net cash used in investing activities	(43 289 269)	(43 828 103)	(9 359 235)	(9 634 032)
Net cash used in financing activities	26 399 847	63 405 040	5 707 705	13 937 318
Net change in cash and cash equivalents	(7 027 232)	(2 181 933)	(1 519 303)	(479 620)
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)	(0,37)	(0,51)	(0,08)	(0,11)
Diluted EPS (in PLN / EUR)	(0,37)	(0,51)	(0,08)	(0,11)
Average PLN / EUR rate*	as at 31.03.2022 PLN	as at 31.12.2021 PLN	4,6253 as at 31.03.2022 EUR	4,5493 as at 31.12.2021 EUR
Assets	8 436 501 402	8 487 298 750	1 813 326 470	1 845 305 638
Non-current liabilities	2 731 857 565	2 493 454 819	587 180 562	542 126 107
Current liabilities	4 969 121 164	5 207 247 755	1 068 053 985	1 132 158 054
Equity	735 522 673	786 596 177	158 091 923	171 021 476
Share capital	139 163 286	139 163 286	29 911 507	30 256 835
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)	4,65	5,02	1,00	1,09
Diluted book value per share (in PLN / EUR)	4,65	5,02	1,00	1,09
Dividends paid (in PLN / EUR)	-	-	-	-
Dividends paid per share (in PLN / EUR)	-	-	-	-
PLN / EUR rate at the end of the period**			4,6525	4,5994

* 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 2022 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 2022 TO 31 MARCH 2022

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:	01.01-31.03.2022	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:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

INTRODUCTION TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. INFORMATION ABOUT THE PARENT ENTITY

NAME

EUROCASH Spółka Akcyjna ("Company", "Parent Entity")

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Non-specialized wholesale trade (PKD 4690Z)

REGISTRATION COURT

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

DURATION OF THE PARENT COMPANY

Indefinite

PERIOD COVERED BY THE FINANCIAL STATEMENTS

The condensed interim consolidated financial statements cover the period of 3 months ended on 31 March 2022 and contain comparative data for the period of 3 months ended 31 March 2021 and as at 31 December 2021. Statement of comprehensive income, income statement and notes to the statement of comprehensive income, income statement, including data for the 3 months period ended 31 March 2022 and comparative data for the 3 months period ended on 31 March 2021.

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 2022 the Parent Entity's Management Board consisted of the following members:

Paweł Surówka – President of the Management Board,
Luis Manuel Conceicao do 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,
Dariusz Stolarczyk – Member of the Management Board,
Tomasz Polański – Member of the Management Board.

<i>Condensed interim consolidated financial statements of EUROCASH Group.</i>			
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2.2. SUPERVISORY BOARD OF THE PARENT ENTITY

As at 31 March 2022 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

On 31 January 2022, the Supervisory Board of Eurocash adopted a resolution to appoint Mr. Dariusz Stolarczyk and Mr. Tomasz Polański to the positions of Management Board Members with effect from 1 February 2022.

In addition, on 31 January 2022, the Company received notifications from Mr. Rui Amaral and Mr. Noel Collett about resignation from the function of Members of the Management Board of Eurocash with effect on 31 January 2022. The submitted resignations did not contain information about their reasons.

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
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CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01.01. TO 31.03.2022

	Non audited 1 Quarter for the period from 01.01.2022 to 31.03.2022	Non audited 1 Quarter for the period from 01.01.2021 to 31.03.2021
Sales	6 527 891 224	5 812 095 470
Sales of goods	6 496 092 945	5 780 301 301
Sales of services	30 108 148	30 509 593
Sales of materials	1 690 130	1 284 576
Costs of sales	(5 619 094 832)	(5 068 974 276)
Costs of goods sold	(5 617 445 606)	(5 067 804 227)
Costs of materials sold	(1 649 227)	(1 170 049)
Gross profit (loss)	908 796 391	743 121 194
Selling expenses	(797 106 679)	(685 482 244)
General and administrative expenses	(130 696 481)	(105 389 764)
Profit (loss) on sales	(19 006 768)	(47 750 814)
Other operating income	31 781 751	22 823 980
Other operating expenses	(11 113 829)	(8 693 085)
Operating profit (loss)	1 661 154	(33 619 919)
Financial income	7 462 078	5 825 619
Financial costs	(48 666 895)	(38 252 897)
Share in profits (losses) of equity accounted investees	335 099	171 025
Profit (loss) before tax	(39 208 564)	(65 876 172)
Income tax expense	(11 126 442)	(5 035 458)
Profit (loss) for the period	(50 335 006)	(70 911 631)
Attributable to:		
Owners of the Company	(51 705 203)	(70 462 024)
Non-controlling interests	1 370 197	(449 606)
EARNINGS PER SHARE		
	PLN / share	PLN / share
Weighted average number of shares	139 163 286	139 163 286
Weighted average diluted number of shares	139 163 286	139 163 286
Earnings per share		
- basic	(0,37)	(0,51)
- diluted	(0,37)	(0,51)

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.03.2022	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 31.03.2022**

	Non audited 1 Quarter for the period from 01.01.2022 to 31.03.2022	Non audited 1 Quarter for the period from 01.01.2021 to 31.03.2021
Profit (loss) for the period	(50 335 006)	(70 911 631)
Other comprehensive income for the period	4 954 170	4 998 696
Items that may be subsequently reclassified to profit or loss:		
- The result on hedge accounting with the tax effect:	4 954 170	4 998 696
Total comprehensive income for the period	(45 380 836)	(65 912 934)
Total Income		
Owners of the Company	(46 751 034)	(65 463 328)
Non-controlling interests	1 370 197	(449 606)
Total comprehensive income for the period	(45 380 836)	(65 912 934)

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.03.2022	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 31.03.2022

	Non audited as at 31.03.2022	as at 31.12.2021
Assets		
Non-current assets (long-term)	5 275 236 724	5 267 502 142
Goodwill	2 131 069 984	2 130 015 213
Intangible assets	330 535 841	342 766 659
Property, plant and equipment	690 618 924	696 411 472
Right of use assets	1 964 421 721	1 942 045 726
Investment property	909 790	913 684
Investments in equity accounted investees	13 708 856	13 373 757
Other long-term investments	8 377 947	4 603 644
Long-term receivables	14 277 204	14 588 630
Deferred tax assets	117 640 310	118 407 465
Other long-term prepayments	3 676 147	4 375 891
Current assets (short-term)	3 161 264 678	3 219 796 608
Inventories	1 559 826 835	1 535 646 491
Trade receivables	1 300 440 870	1 332 245 738
Current tax receivables	8 627 741	4 689 846
Other short-term receivables	104 278 961	171 327 055
Other short-term financial assets	17 041 966	14 810 270
Short-term prepayments	57 484 824	40 486 497
Cash and cash equivalents	113 563 480	120 590 711
Total assets	8 436 501 402	8 487 298 750

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

	Non audited as at 31.03.2022	as at 31.12.2021
<i>Equity and liabilities</i>		
Equity	735 522 673	786 596 177
Equity attributable to Owners of the Company	647 775 216	699 121 094
Share capital	139 163 286	139 163 286
Reserve capital	581 181 337	581 032 164
Valuation equity of hedging transactions	15 569 102	10 614 932
Option for purchase/selling the shares	(115 609 646)	(115 838 349)
Retained earnings	27 471 137	84 149 060
Accumulated profit / loss from previous years	79 176 340	197 720 592
Profit (loss) for the period	(51 705 203)	(113 571 531)
Non-controlling interests	87 747 458	87 475 083
Liabilities	7 700 978 729	7 700 702 573
Non-current liabilities	2 731 857 565	2 493 454 819
Long-term loans and borrowings	805 824 000	581 340 000
Other long-term financial liabilities	125 000 000	125 000 000
Long-term lease liabilities	1 714 274 232	1 701 013 664
Other long-term liabilities	73 731 827	73 736 231
Employee benefits	10 890 711	9 768 044
Provisions	2 136 795	2 596 880
Current liabilities	4 969 121 164	5 207 247 755
Loans and borrowings	145 627 299	223 530 876
Other short-term financial liabilities	16 935 409	16 763 774
Short-term lease liabilities	417 062 580	400 784 932
Trade payables	3 674 756 635	3 854 074 329
Current tax liabilities	17 659 245	18 049 131
Other short-term payables	196 290 332	202 720 022
Current employee benefits	206 518 531	180 578 334
Provisions	294 271 133	310 746 357
Total equity and liabilities	8 436 501 402	8 487 298 750

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01. TO 31.03.2022

	Non audited 1 Quarter for the period from 01.01.2022 to 31.03.2022	Non audited 1 Quarter for the period from 01.01.2021 to 31.03.2021
<i>Cash flow from operating activities</i>		
Profit (loss) before tax	(39 208 564)	(65 876 172)
Adjustments for:	184 779 796	179 052 076
Depreciation and amortization	149 360 207	149 549 408
Share in profits (losses) of equity accounted investees	(335 099)	(171 025)
Gain (loss) on sale of property, plant and equipment	(2 098 351)	(2 503 560)
Profit (loss) on exchange rates	5 093 604	6 007 828
Interest expenses	33 787 230	27 567 771
Interest received	(1 027 795)	(1 398 347)
Operating cash before changes in working capital	145 571 232	113 175 904
Changes in inventory	(24 180 344)	(38 262 664)
Changes in receivables	98 716 676	(93 499 332)
Changes in payables	(170 409 849)	(909 505)
Changes in provisions and employee benefits	(9 410 544)	17 473 755
Other adjustments	(1 742 348)	(362 803)
Operating cash	38 544 824	(2 384 645)
Interest received	1 192 118	922 630
Interest paid	(8 804 406)	(5 486 162)
Income tax paid	(21 070 345)	(14 810 693)
Net cash from operating activities	9 862 191	(21 758 870)
<i>Cash flow from investing activities</i>		
Aquisition of intangible assets	(8 619 054)	(12 555 618)
Proceeds from sale of intangible assets, property, plant and equipment	5 835	1 474 742
Aquisition of property, plant and equipment tangible fixed assets	(44 459 105)	(36 281 321)
Proceeds from sale of property, plant and equipment	4 190 579	3 222 003
Aquisition of investment property	566 381	-
Loans granted	-	(172 500)
Interest received	5 026 094	484 592
Net cash used in investing activities	(43 289 269)	(43 828 103)
<i>Cash flow from financing activities</i>		
Financing for franchisees	171 635	948 338
Proceeds from loans and borrowings	237 221 815	181 403 986
Repayment of borrowings	(90 641 391)	(7 826 826)
Income/expenses for liabilities from leasing	(93 898 104)	(87 901 539)
Other interests	(13 762 037)	(19 440 537)
Interests on loans and borrowings	(12 692 068)	(3 778 383)
Net cash used in financing activities	26 399 848	63 405 040
Net change in cash and cash equivalents	(7 027 230)	(2 181 933)
Cash and cash equivalents at the beginning of the period	120 590 711	117 491 807
Cash and cash equivalents at the end of the period	113 563 480	115 309 874

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 01.01. TO 31.03.2022

	Share capital	Reserve capital	Option for purchase/selling the shares	Hedge reserve	Retained earnings	Equity attributable to Owners of the Company	Non-controlling interests
<i>Changes in equity in the period from 01.01 to 31.03.2021 - non audited</i>							
Restated*							
Balance as at 01.01.2021 after changes*	139 163 286	581 032 164	(49 561 267)	(21 734 503)	267 507 683	916 407 363	67 700 000
Owners of the Company	-	-	-	-	(70 462 024)	(70 462 024)	-
Non-controlling interests	-	-	-	-	-	-	(4 000 000)
Other comprehensive income	-	-	-	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)	(4 000 000)
Option for purchase/selling the shares	-	-	6 433 210	-	-	6 433 210	-
Other	-	-	-	-	(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	-
Balance as at 31.03.2021*	139 163 286	581 032 164	(43 128 058)	(16 735 807)	193 970 271	854 301 857	67 700 000
<i>Changes in equity in the period from 01.01 to 31.03.2022 - non audited</i>							
Balance as at 01.01.2022	139 163 286	581 032 164	(115 838 349)	10 614 932	84 149 060	699 121 094	87 400 000
Owners of the Company	-	-	-	-	(51 705 203)	(51 705 203)	-
Non-controlling interests	-	-	-	-	-	-	2 000 000
Other comprehensive income	-	-	-	4 954 170	-	4 954 170	-
Total comprehensive income for the period from 01.01. to 31.03.2022	-	-	-	4 954 170	(51 705 203)	(46 751 034)	2 000 000
Transfer to reserve capital	-	149 173	-	-	-	149 173	-
Option for purchase/selling the shares	-	-	228 703	-	-	228 703	-
Other	-	-	-	-	(4 972 721)	(4 972 721)	-
Total contributions by and distributions to Owners of the Company	-	149 173	228 703	-	(4 972 721)	(4 594 845)	-
Balance as at 31.03.2022	139 163 286	581 181 337	(115 609 646)	15 569 102	27 471 137	647 775 215	87 400 000

Condensed interim consolidated financial statements of EUROCASH Group.			
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SUPPLEMENTARY INFORMATION TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2021 TO 31.03.2022

1. GENERAL INFORMATION

1.1. ISSUE OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

According to the resolution of the Management Board dated 11 May 2022, the consolidated financial statements of Eurocash Group for the period from 1 January 2022 to 31 March 2022 were authorized for publication.

According to the information included in the report no. 1/2022 dated 28 January 2022 sent to the Polish Financial Supervision Authority, Eurocash S.A. issues its interim consolidated financial statements on 12 May 2022.

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 2021, which is available on the website www.grupaeurocash.pl.

1.3. 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).

1.4. USE OF ESTIMATES AND JUDGEMENTS

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

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

Impairment of trade receivables

In the current period, estimates of expected credit losses were updated. Details are included in note 3.

Revenue and costs recognition and costs associated with the sale of goods

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. The estimated amounts of bonuses due to customers under distribution agreements are recognized on an ongoing basis in the Company's result at the time of sale of goods by reducing the transaction price (income).

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The company, when buying goods from suppliers, is entitled to the so-called retrorabates, in accordance with signed trade agreements. The company regularly estimates the discount due to it and adjusts the value of inventories at the time of purchasing the goods. Consequently, this discount corrects the cost of sale at the time of sale of the goods.

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 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 Group analyzes the content of such agreements each time.

Based on the analysis performed, the Group assessed that liabilities subject to reverse factoring are more similar in nature to liabilities to suppliers than to liabilities due to financing. As a result, they are presented in the balance sheet under "Trade and other liabilities" and payments are recognized in the Statement of cash flows upon payment by the Group companies to the factor as cash flows from operating activities. In particular, the Management Board assesses whether the supplier financing program does not materially change:

- payment terms to suppliers,
- the size of the dates of occurrence and the 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 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.

Tradis customer relations

When determining the period of economic use of the above asset recognized on the acquisition of Tradis Group, the managers took into account development plans related to key customers acquired with the Tradis Group and their previous history of cooperation. Current analyzes confirm the previously adopted assumptions regarding the useful life.

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Split payment

According to the Management Board's assessment, restrictions on the disposal of cash in VAT accounts resulting from tax regulations regarding the split payment mechanism do not affect their classification as cash and cash equivalents, as the Group uses them on an ongoing basis to settle short-term liabilities. At the end of September, the amount collected on the Group's VAT accounts results only from the daily mismatch between payments and inflows on the VAT account.

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.

1.5. 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 2021,

1.6. 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.

1.7. GOING CONCERN ASSUMPTION

These financial statements have been prepared on the assumption that the Group will continue as going concern in the foreseeable future, ie not less than 12 months from the balance sheet date. The most important, in the opinion of the Management Board, factors, risks and uncertainties influencing the assessment of the going concern assumption, with regard to the forms and durability of financing of the Group's activities, are discussed below. When making this assessment, the Management Board also took into account the existing and expected risks resulting from external factors such as the COVID-19 pandemic, the impact of the war in Ukraine, the availability of various forms of financing used by the Group and internal factors, including the impact of sales dynamics on cash generation and capital Rotary Group. In the first quarter of 2022, the Group generated cash from operating activities in the amount of PLN 9.9 million, while in the similar period of the previous year, the Group generated cash flows from operating activities amounted to minus PLN 21.8 million.

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As at 31 March 2022, there was a surplus of current liabilities over its current assets in the amount of PLN 1.81 billion, which, according to the Management Board, is typical for the industry in which the Group operates, in which a significant part of sales is made on cash terms, inventories are minimized and suppliers provide deferred payment terms, while the Group also uses reverse factoring instruments and short-term bank loans to finance the working capital. The Group's net working capital (including inventories, trade receivables and trade payables) was negative and amounted to minus PLN 814 million as at 31 March 2022, compared to minus PLN 915 million as at 31 March 2021. The Group increased the value of annual sales by approximately 12.3%, while in the first quarter there was a loss on sales of approximately PLN 19.0 million and it was lower by PLN 28.7 million than in the previous year.

The financial plans prepared by the Management Board for 2022 indicate that the Group will maintain liquidity and provide ongoing service of liabilities. The conditions precedent related to the loan agreements are monitored on an ongoing basis, as at the balance sheet date, 31 March 2022, the conditions of the loan agreements were not breached. In addition, the Group also has unused credit limits in the amount of PLN 391.6 million.

The Group also analyzed the timely payment of its trade liabilities. Details are included in note 2. The Group plans to maintain the structure and timing of the rotation of liabilities in subsequent reporting periods.

As at 31 March 2022, the Group had credit limits at domestic banks and the EBRD in the amount of PLN 1,333.7 million, while their use was PLN 942.1 million, which accounts for 71% of the limits granted. The Group uses loans secured with the BGK guarantee to the greatest extent, due to the one-off nature of the costs incurred to disburse these loans. Consequently, 37% of loans secured with BGK's guarantees are used, 100% of long-term loans, and only 10% of short-term loans (excluding loans secured with BGK's guarantees).

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 the loan agreement ending in September 2020, and (2) the long-term part (in the amount of PLN 196 million) loan under the agreement concluded with the European Bank for Reconstruction and Development in the second quarter of 2020 in the amount of PLN 222.75 million, valid until June 2025. The funds obtained from this loan were used mainly to finance the purchase of Frisco S.A. In the second quarter of 2021, the loan was repaid as planned, in the amount of PLN 8.9 million. The use of the revolving loan as at 31 March 2022 was PLN 200 million, while the EBRD loan was PLN 213.8 million, of which the amount of PLN 17.8 million, due to the obligatory repayment, which will take place in the second quarter of 2022, was classified as loans short-term.

As at 31 March 2022, the total amount of credit limits secured by the BGK guarantee was PLN 245 million, and their use was PLN 90.1 million.

As a standard, the Group also has (not taking into account the short-term part of the long-term loan and loans secured by the surety of Bank Gospodarstwa Krajowego) working capital loans 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 263 million and their use is PLN 26.3 million. In each adopted

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model, the Management Board assumes that all necessary credit limits in current accounts will be extended for subsequent periods.

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 maximum total amount of all issues of PLN 1,000,000,000. The issue was in demand from a wide group of investors and was made public by listing it on the ASO (Catalyst) market on the Stock Exchange.

The Group also uses leasing for financing fixed assets. As at 31 March 2022, the Group's companies had active leasing contracts in two financial institutions, which were recognized in the statement of financial position as a liability before the implementation of IFRS16, with a total exposure of PLN 36.3 million, of which PLN 28.1 million it concerned only Frisco S.A. Additional income from the implementation of IFRS 16 resulting from lease agreements and lease agreements with entities other than financial institutions amounts to PLN 2.095 million. The total amount of the Group's total lease liabilities is PLN 2.131,3 million and was presented in the Group's 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 1.5 billion and (2) factoring of receivables - PLN 325 million. Part of the factoring program in the amount of PLN 475 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 1.45 billion in reverse factoring programs and PLN 222.7 million in receivables factoring programs, respectively.

The implementation in the first quarter of the liquidity forecasts prepared by the Group for the entire year 2022 in cooperation with an independent expert confirmed their accuracy in terms of the estimated amounts of financial debt and in terms of risk assessment. The financial plan for the next four quarters assumes maintaining the availability of trade credit limits from suppliers and limits in financing instruments made available by the banking sector. The scenario analyzes presented in the annual report for 2021 are still valid.

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 continuation of their activities.

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2. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2021 TO 31.03.2022

NOTE 1. ACQUISITION OF SHARES IN SUBSIDIARIES

Acquisition of 49% of company Arhelan Sp. z o.o.

General information

On 09.11.2021, Eurocash acquired 49% of shares in Arhelan sp.z o.o., at the same time committing to acquire 1% of shares in the future. Arhelan runs a network of over 100 retail stores under the brand Polskie Sklepy Arhelan. The network was founded in 1991 in Bielsk Podlaski by the Burzyński Family. The activity is conducted mainly in the Podlaskie region, but also in Warmińsko-Mazurskie, Mazowieckie and Lubelskie. The brand is distinguished by fresh products of the highest quality, obtained from reliable suppliers, and the Arhelan expansion model fits in with a socially responsible presence in local markets.

The purchase price also includes variable elements depending on the performance of contractual provisions in the future.

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS

1. Name of acquired company	Arhelan Sp. z o.o.
2. Acquisition date	09.11.2021
3. Acquisition cost	101 213 210

Settlement for the acquisition of business units

Due to the short period between the acquisition of the Company and the preparation of these consolidated financial statements, these consolidated financial statements include the initial settlement of the purchase price of shares in Arhelan Sp. z o.o. The Group is in the process of identifying and measuring the acquired assets and assumed liabilities.

	Settlement of the acquisition as at 09.11.2021
Assets	
Non-current assets (long-term)	78 163 966
Intangible assets	892 245
Tangible fixed assets	15 785 872
Assets due to the right of use (IFRS 16)	60 983 926
Long-term receivables	89 990
Other long-term prepayments	411 933
Current assets (short-term)	40 059 575
Inventory	26 165 964
Trade receivables	4 011 270
Other short-term receivables	61 690
Short-term prepayments	8 580 659
Cash and cash equivalents	1 239 991
Total assets	118 223 541

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<i>Equity nad liabilities</i>	
Liabilities	103 046 510
Non-current liabilities	58 773 646
Long-term loans and credits	5 309 640
Other long-term liabilities	50 968 027
Long-term finance lease liabilities (MSSF16)	2 134 917
Other long-term provision	361 062
Current liabilities	44 272 863
Short-term loans and credits	1 011 360
Short-term finance lease liabilities	1 019 569
Short-term finance lease liabilities (MSSF16)	10 015 898
Trade liabilities	22 834 445
Current income tax liabilities	1 598 629
Other short-term liabilities	3 791 262
Current employee benefits	2 396 422
Other short-term provisions	1 605 278
Net assets	15 177 031
Net assets acquired (49 %)	15 177 031
Goodwill on acquisition	86 036 179
Acquisition cost	101 213 210

The resulting goodwill is mainly related to the fact that thanks to the acquisition of Arhelan, Grupa Eurocash S.A. expanded its distribution channels for food, chemicals and cosmetics.

NOTE 2. 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. 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, Eurocash Nieruchomości Sp. z o.o. (previously Koja-Invest Sp. z o.o.), Partner Sp. z o.o., Podlaskie Delikatesy

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Centrum Sp. z o.o., Delikatesy Centrum Sp. z o.o., Arhelan Sp. z o.o. as well as mark Delikatesy Centrum as part 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., Innowacyjna Platforma Handlu Sp. z o.o. (previously Platforma Innowacji Handlu 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 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 2022

	Wholesale	Retail	Projects	Other	Exclusions	Total
Sales	5 198 412 877	2 246 639 603	174 127 712	1 038 985	(1 092 327 953)	6 527 891 224
External sales of goods	4 666 952 454	1 660 746 895	168 393 596	-	-	6 496 092 946
Other external sales	10 053 298	18 295 044	3 449 936	-	-	31 798 278
Inter-segmental sales	521 407 125	567 597 664	2 284 179	1 038 985	(1 092 327 953)	-
Operating profit	89 549 931	(17 635 735)	(33 479 223)	(36 773 819)	-	1 661 154
Finance income						7 462 078
Finance costs						(48 666 895)
Share in losses of companies consolidated with the equity method						335 099
Profit before income tax						(39 208 564)
Income tax						(11 126 442)
Net profit (loss)						(50 335 006)

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

REVENUES AND PROFITS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2021 TO 31 MARCH 2021

	Wholesale	Retail	Projects	Other	Exclusions	Total
Sales	4 625 751 801	2 066 098 281	123 378 247	907 910	(1 004 040 770)	5 812 095 470
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)	-
Operating profit	51 383 437	(31 544 851)	(22 092 229)	(31 366 276)	-	(33 619 919)
Finance income						5 825 619
Finance costs						(38 252 897)
Share in losses of companies consolidated with the equity method						171 025
Profit before income tax						(65 876 172)
Income tax						(5 035 458)
Net profit (loss)						(70 911 631)

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NOTE 3. 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.

Income tax

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

	for the period from 01.01.2022 to 31.03.2022	for the period from 01.01.2021 to 31.03.2021
Profit (loss) before tax	(39 208 564)	(65 876 172)
Income tax expense	(11 126 442)	(5 035 458)
Profit (loss) for the period	(50 335 006)	(70 911 631)
% tax rate (effective)	28,4%	7,6%
Differences:		
Fixed costs not constituting tax deductible costs	-1 937 330	-677 160
Impact of tax loss assets	-16 400 399	-17 090 189
Other	-236 420	183 018
Profit (loss) before tax	(39 208 564)	(65 876 172)
Income tax expense	7 447 706	12 548 872
Profit (loss) for the period	(31 760 858)	(53 327 300)
% tax rate (effective)	-19,0%	-19,0%

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

Inventories

The value of inventories as at 31 March 2022 is comparable to their state as at 31 December 2021. 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 31.03.2022

	for the period from 01.01.2022 to 31.03.2022	for the period from 01.01.2021 to 31.12.2021
Opening balance	50 582 336	41 665 897
- increase *	-	8 916 439
- decrease *	(3 403 878)	-
Closing balance	47 178 458	50 582 336

* 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.

The Group 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, payment history, type of business, geolocation, cooperation evaluation and financial data. In 2022, the analysis showed that the write-down 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, while the expected credit loss model was based on the standard approach in which:

1. The ECL (Expected Credit Loss) is equal to (EAD) the product of the customer's balance, (PD) the probability of at least 90 days delay in payment and (LGD) the amount of losses incurred in the event of default.
2. PD was calculated on the basis of an artificial intelligence algorithm taking into account the history of payments, type of activity, geolocation. The modeling result was compared (using a weight) with the assessment of cooperation with the client made separately by the sales and debt collection departments.
3. The level of LGD is influenced by the security provided by customers.

The analysis of concentration shows its actual lack.

Balance range	Number of customers	% of number of customers	Balance	% of Company's balance
>10mln	2	0,01%	23 374 723	2,62%
5-10mln	7	0,02%	45 170 656	5,06%
2-5mln	18	0,05%	50 896 352	5,71%
1-2mln	49	0,14%	65 873 292	7,39%
0,5-1mln	133	0,39%	90 164 379	10,11%
0,2-0,5mln	528	1,53%	158 853 400	17,81%
0,1-0,2mln	862	2,50%	121 335 971	13,60%
0,05-0,1mln	1 425	4,14%	99 605 522	11,17%
<0,05mln	27 686	80,42%	243 338 242	27,28%
negative	3 718	10,80%	-6 651 996	-0,75%

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Aging of trade receivables as at 31.03.2022:

AGING OF TRADE RECEIVABLES AS AT 31.03.2022

	Trade receivables gross value 31.03.2021	Trade receivables gross value 31.12.2021
current	1 171 040 522	1 117 732 939
1-30 days	120 307 611	164 180 844
31-90 days	18 591 927	55 542 275
91-180 days	7 219 675	9 310 427
> 180 days	26 323 067	30 685 174
	1 343 482 802	1 377 451 659

WRITE-OFF OF TRADE RECEIVABLES AS AT 31.03.2022

	for the period from 01.01.2022 to 31.03.2022	for the period from 01.01.2021 to 31.12.2021
Opening balance	45 205 922	68 566 577
Increase *	-	-
Decrease *	(2 163 990)	(23 360 656)
Closing balance	43 041 932	45 205 922

* 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.

Value	Issuing Date	Start Date	End Date	Valuation 31.03.2022
100 000 000	30.08.2019	02.09.2019	31.08.2022	1 408 506
100 000 000	30.08.2019	02.09.2019	31.08.2022	1 408 506
100 000 000	29.08.2019	02.09.2019	29.07.2022	1 490 518
200 000 000	28.02.2020	07.01.2022	09.01.2023	6 441 961
100 000 000	09.03.2020	05.03.2021	06.03.2023	4 345 568
100 000 000	03.03.2020	04.03.2022	06.03.2023	4 126 602
100 000 000	07.04.2021	17.01.2022	16.01.2023	3 901 938
17 593 620	02.04.2021	15.04.2021	16.03.2026	1 355 260
1 674 859	02.04.2021	20.04.2021	20.11.2024	78 477
500 327	02.04.2021	15.04.2021	15.10.2024	22 464
278 709	02.04.2021	30.04.2021	31.01.2025	13 849
255 319	02.04.2021	30.04.2021	31.08.2024	13 936

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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 2022, the value of balances covered by the supplier financing program was recognized in the amount of PLN 1.449.652.319 while as at 31 December 2021 the corresponding value of balances was PLN 1.779.962.998.

The Group uses 7 reverse factoring lines to finance deliveries from 60 suppliers. The terms of payment to the factor do not differ from the payment terms agreed with the suppliers. Factoring agreements are a financial instrument secured as standard with an intra-group surety, a promissory note or a declaration of submission to enforcement.

The risk of losing financial liquidity is presented in item 1.7.

Aging of trade liabilities is presented in the table below:

AGING OF TRADE LIABILITIES AS AT 31.03.2022	31.03.2022	31.12.2021
current	3 665 627 524	3 841 255 664
1-30 days	2 786 088	8 477 135
31-90 days	975 831	549 772
91-180 days	1 518 096	552 012
> 180 days	3 849 098	3 239 746
	3 674 756 636	3 854 074 328

The structure of maturity of liabilities takes into account maturity of liabilities in the settlement with the items of corrections of these liabilities from suppliers.

NOTE 4. BOOK VALUE PER SHARE A AT 31.03.2022

	Non audited as at 31.03.2022	as at 31.12.2021
Equity attributable to Owners of the Company	647 775 216	699 121 094
Number of shares	139 163 286	139 163 286
Diluted number of shares	139 163 286	139 163 286
Book value per share	4,65	5,02
Diluted book value per share	4,65	5,02

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NOTE 5.
ITEMS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

CONTINGENTIES AS AT 31 MARCH 2022

Beneficiary	Title	Currency	as at	as at
			31.03.2022	31.12.2021
1 Bank 1*	Surety for the obligations due to the "Franchise partners financing program" for the Franchisee Delikatesy Centrum"	PLN	121 276	184 020
			121 276	184 020

* debt value as at balance sheet date

BANK GUARANTEES AS AT 31 MARCH 2022 - SECURITIES FOR RENT LIABILITIES

The Issuer	Title	Currency	as at	as at
			31.03.2022	31.12.2021
1 Bank 1	Security of payments to suppliers	PLN	130 623 200	129 623 200
2 Bank 2	Security of payments to suppliers *	PLN	24 193 000	23 916 880
3 Bank 3	Security for using of the national roads	PLN	1 320 100	1 320 100
4 Bank 4	Security of excise duty	PLN	500 000	500 000
5 Bank 5	Security of rent liabilities	PLN	12 157 106	12 375 940
6 Bank 6	Security of rent liabilities *	PLN	41 294 116	40 607 762
7 Bank 7	Security of the liabilities of the promotion lottery	PLN	4 744 500	4 930 000
8 Bank 8	Security of the liabilities of the good service performance	PLN	2 673 530	2 643 016
			217 505 553	215 916 898

* - Guarantee in EUR is translated into PLN at the average exchange rate of NBP:
as at 31.03.2022: 1 EUR = 4,6525 PLN
as at 31.12.2021: 1 EUR = 4,5994 PLN

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COLLATERALS

SECURITIES RELATED TO ASSETS AS AT 31 MARCH 2022

Title		as at 31.03.2022	as at 31.12.2021
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	36 691 753	28 194 113
		661 789 053	653 291 413

* security nominal value

NOTE 6.

FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 31 March 2022, 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 7.

UNCERTAIN TAX TREATMENT

Regulations concerning value added tax, corporate income tax and social security charges are subject to frequent changes. These frequent changes result in a lack of appropriate benchmarks, inconsistent interpretations and few established precedents that could apply. The applicable regulations also contain ambiguities, which cause differences in opinions as to the legal interpretation of tax regulations, both between state authorities and enterprises.

Tax settlements and other areas of activity (for example, customs or foreign exchange issues) may be subject to inspection by authorities authorized to impose high penalties and fines, and any additional tax liabilities arising from these authorities' decisions must be paid with high interest. These conditions create a tax risk in Poland it is greater than in countries with more mature tax systems.

Consequently, the amounts presented and disclosed in the financial statements may change in the future as a result of the final decision of the authority.

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In the previous reporting periods, the Company carried out transactions and participated in restructuring processes that may be analyzed and audited by tax authorities.

On 15 July 2016, amendments to the Tax Ordinance Act entered into force in order to incorporate the provisions of the General Anti-Avoidance Clause (GAAR). GAAR is designed to prevent the emergence and use of artificial legal structures designed to avoid paying tax in Poland. Currently, GAAR defines tax avoidance as an activity whose main or one of the main objectives was to achieve a tax advantage that, in the given circumstances, was inconsistent with the object or purpose of a tax act or provision thereof. According to GAAR, such an activity does not result in obtaining a tax advantage if the mode of operation was artificial. Occurrence of, among others (i) unjustified splitting of operations, (ii) the involvement of intermediaries despite the lack of economic or economic justification, (iii) mutually canceling or compensating elements, and (iv) other activities that do not have an economic substance, may be treated as an indication of the existence of artificial activities subject to GAAR. The new regulations require a much greater judgment as to the economic content of a transaction when assessing the tax consequences of individual transactions.

The GAAR clause should be applied to transactions made after its entry into force and to transactions that were carried out before the entry into force of the GAAR clause, but for which benefits were or are still achieved after the entry into force of the clause. The implementation of the above provisions makes it possible to question the tax consequences of the legal arrangements and agreements implemented by taxpayers, such as group restructuring and reorganization.

The Group recognizes and measures current and deferred tax assets or liabilities using the requirements of IAS 12 Income Taxes based on profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates, taking into account the assessment of uncertainty related to settlements tax. When there is uncertainty as to whether and to what extent the tax authority will accept individual tax settlements of a transaction, the Group recognizes these settlements taking into account the assessment of uncertainty.

On 19 June 2017, to Eurocash S.A. a report on the audit of the tax books for 2011 was provided, in which the possibility of making depreciation write-offs on certain values of the economic copyrights was questioned, which in the audited period amounted to approx. PLN 41 million. On 5 July 2017, the Company submitted reservations to the minutes.

On 28 September 2017, the Head of the Wielkopolska Customs and Tax Office in Poznań issued a decision for Eurocash S.A., in which he stated in the case indicated that the Company's tax liability for 2011 was underestimated by the Company in the amount of approximately PLN 8 million. Based on a legal and tax analysis carried out by external experts, on 17 October 2017, the Company appealed against this decision. It indicates a number of arguments proving the correctness of the tax settlements made by the Company, including confirmation of the correctness of the settlements through positive interpretations of tax law.

By the decision of 19 March 2019, the Director of the Tax Administration Chamber in Poznań, after examining 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. On 22 April 2022 as a result of reconsideration of the case, the Head of the Greater Poland Customs and Tax Office in Poznań after conducting the control procedure in accordance with the decision of the Director of the Tax Control Office in Poznań. stated that the tax liability was underestimated by PLN 2.5 million. The company will appeal against the above-mentioned decision.

On 28 February 2018, the Head of the Greater Poland Customs and Tax Office in Poznań initiated an inspection of corporate income tax for 2016. On 8 April 2022. The head of the Greater Poland Customs and Tax Office in Poznań issued a decision to transform the customs and fiscal control into tax proceedings.

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On 17 December 2019, the Head of the Greater Poland Customs and Tax Office in Poznań initiated a customs and tax inspection in the field of corporate income tax for 2014 and 2015.

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 - evaluation of the initial value of intangible assets and legal (trademarks). In response to the above-mentioned decision on 5 February 2021 and 15 April 2021. The company appealed against the decision.

Head of the Wielkopolska Customs and Tax Office in Poznań after conducting tax proceedings pursuant to the decision of the Head of the Wielkopolska Customs and Tax Office in Poznań of 21 April 2021. on the transformation of the customs and tax inspection into tax proceedings in the field of corporate income tax for 2015, issued on 23 June 2021. decisions specifying the tax liability in the corporate income tax for 2015 in the amount of approximately PLN 22.5 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 - evaluation of the initial value of intangible assets and legal (trademarks). In response to the above-mentioned decision, on 21 July 2021, the Company appealed. Due to the control, the Company created provisions which it recognized in previous reporting periods.

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 indicated two questionable forms of settlements between Eurocash and suppliers - i.e. collecting remuneration for (i) general-network services / sales support services, and (ii) services to expand sales markets. As part of the ongoing proceedings, in response to the request of the President of the Office of Competition and Consumer Protection, the Company announced that from 2017 it did not receive 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. At the same time, the Company from 01.01.2021. implementing the project started in 2017. strategy of simplifying relationships with suppliers, it stopped providing general-network services / sales support and collecting remuneration for suppliers, about which it informed the President of UOKiK. On 30 November 2021. The President of the Office of Competition and Consumer Protection (UOKiK) issued a decision in which he found that the Company had committed a practice dishonestly using the contractual advantage consisting in requiring suppliers of agricultural and food products to pay fees for services that are not performed on their behalf or are performed, but about their implementation, including costs and the results, the suppliers are not informed and for this reason they imposed a fine on the Company in the amount of PLN 76,019,901.23. The company does not agree with the position of the President of the Office of Competition and Consumer Protection, therefore on 30 December 2021 appealed against the decision of

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the President of UOKiK to the Court of Competition and Consumer Protection. In connection with the above, the Company has not established a provision on this account. The obligation to pay a 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.

NOTE 8.

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 31.12.2020, 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).

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.

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NOTE 9.

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.

After two years of existence, the society learned to function with it, especially since effective vaccines appeared that significantly limited its negative effects. The pandemic is now coming to an end and most countries are lifting some or all of the Covid restrictions.

Nevertheless, there is a risk of new virus mutations emerging. Therefore, the Company monitors the situation on an ongoing basis and responds to the recommendations of the Chief Sanitary Inspector and other services in Poland.

2. The war in Ukraine

On 24 February 2022, Russian troops attacked Ukraine and an armed conflict began, which will certainly have long-term consequences not only for Poland or Europe, but also for the world.

In response to the invasion, US and EU representatives imposed sanctions on Russia. The sanctions package is intended, in particular, to hinder the conduct of international trade. The sanctions also include issues such as the disconnection of Russian banks from the SWIFT system, obstruction of the activities of the Russian central bank, or the closure of airspace to Russian planes. Canada, Switzerland and Japan also joined the various activities undertaken by the US, EU and Great Britain in February 2022. The introduction of sanctions caused, inter alia, suspension of the Russian stock exchange, a sharp increase in cash turnover, a collapse of the ruble exchange rate.

The role of Russia and Ukraine in the broadly understood international trade is concentrated in narrow sectors in which both countries are large producers. This applies to energy resources (natural gas and crude oil) and agricultural produce.

Therefore, there is a high probability that in the long run we will pay more for fuel, gas, electricity and food, which will probably result in a further increase in inflation observed since 2021.

Due to the close proximity of Poland to both countries, a sudden influx of emigrants from Ukraine began, currently estimated at over a million people. On the other hand, many people of Ukrainian origin, living and working in Poland, decided to return to Ukraine to take part in the war. Both in the short and in the longer term, it may be important for the Polish labor market.

Eurocash operates in the territory of Poland, so the impact of hostilities should not have a significant impact on its current operations. However, the company employs many people from beyond our eastern border and the potential outflow of some employees from Poland may have an impact on the current operations of the Company, although at the moment it is not noticeable.

However, the situation is very dynamic and it is difficult to predict the effects of hostilities in the long run. That is why Eurocash constantly monitors the situation both in Poland and abroad.

The economic effects for Eurocash should be considered in two short-term and medium-term paces. As we expect that in the short term (up to 1 year) there will be a decrease in imports and exports to / from Russia and Ukraine, an increase in public and private consumption, an increase in the supply of employees

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(especially women), a decrease in investments, a weakening of the Polish zloty, an increase in the prices of energy, fuel, gas and agricultural produce (imported in large quantities from Russia or Ukraine) and the economic slowdown in Europe, it will probably have multidimensional consequences for the Group. We can expect an increase in sales and a simultaneous increase in prices in this short term. Taking into account the labor market and the activities carried out by the Company consisting in the modernization of workplaces so as to enable an increase in the share of women in the logistics industry, in the perspective of the first half of 2022, we do not draw any negative scenarios that could affect the financial condition of the Company. In the so-called In the medium term, it is difficult to estimate the real risks, which will most likely be related to persistent inflation, potential sales drops, but probably quite favorable situation on the labor market and the persistent environment allowing for higher than usual margins. The demand in the industry in which the Company operates seems resistant to events such as the war in a neighboring country.

The Eurocash Group was actively involved in helping Ukraine by organizing many collections of basic necessities and campaigns supporting employees from beyond our eastern border. The company has implemented, among others support program for employees from Ukraine, in cooperation with the Temporary Employment Agency. This made it possible to bring several hundred families of Group employees to our country.

The group also announced a boycott of Russian and Belarusian products, but estimates the impact of this decision will not be significant for its results. As an expression of solidarity with Ukraine, the Group decided to suspend the purchase and sale of these products in all its channels.

In connection with the situation in Ukraine, the Group also identifies an increased risk of depreciation of the Polish zloty and a potential increase in interest rates.

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NOTE 10.

IMPORTANT EVENTS AFTER THE PERIOD COVERED BY THE FINANCIAL STATEMENTS

There were no important events after the period covered by the financial statement affecting the activity of the Group.

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SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
Management Board Member, Human Resources Director	Katarzyna Kopaczewska	11 th May 2022	
Management Board Member, Financial Director	Jacek Owczarek	11 th May 2022	

SELECTED SEPARATE FINANCIAL DATA

	Non audited for the period from 01.01.2022 to 31.03.2022 PLN	Non audited for the period from 01.01.2021 to 31.03.2021 PLN	Non audited for the period from 01.01.2022 to 31.03.2022 EUR	Non audited for the period from 01.01.2021 to 31.03.2021 EUR
Sales	3 954 760 868	3 617 760 849	855 027 970	795 234 618
Operating profit (loss)	80 787 753	2 640 797	17 466 489	580 484
Profit (loss) before income tax	43 534 404	(19 111 505)	9 412 233	(4 200 977)
Profit (loss) for the on continued operations	33 978 792	(16 805 430)	7 346 289	(3 694 069)
Profit (loss) for the period	33 978 792	(16 805 430)	7 346 289	(3 694 069)
Net cash from operating activities	92 018 354	61 395 871	19 894 570	13 495 674
Net cash used in investing activities	(32 182 457)	(31 577 771)	(6 957 918)	(6 941 237)
Net cash used in financing activities	(45 178 255)	(27 725 821)	(9 767 638)	(6 094 525)
Net change in cash and cash equivalents	14 657 642	2 092 279	3 169 014	459 912
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)	0,24	(0,12)	0,05	(0,03)
Diluted EPS (in PLN / EUR)	0,24	(0,12)	0,05	(0,03)
Average PLN / EUR rate*			4,6253	4,5493
	Non audited as at 31.03.2022 PLN	Non audited as at 31.12.2021 PLN	Non audited as at 31.03.2022 EUR	Non audited as at 31.12.2021 EUR
Assets	6 527 431 816	6 670 551 767	1 402 994 480	1 450 309 120
Non-current liabilities	1 679 886 863	1 458 363 469	361 071 867	317 076 895
Current liabilities	3 507 298 897	3 910 441 292	753 852 530	850 206 830
Equity	1 340 246 056	1 301 747 005	288 070 082	283 025 396
Share capital	139 163 286	139 163 286	29 911 507	30 256 835
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)	9,63	9,35	2,07	2,03
Diluted book value per share (in PLN / EUR)	9,63	9,35	2,07	2,03
Dividends paid (in PLN / EUR)	-	-	-	-
Dividends paid per share (in PLN / EUR)	-	-	-	-
PLN / EUR rate at the end of the period**			4,6525	4,5994

* 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 2022 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 2022 TO 31 MARCH 2022

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, 11th May 2022

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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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 interim condensed financial statements of the Company cover the 3 months period ended 31 March 2022 and contain comparative data for the 3 months period ended 31 March 2021 and as at 31 December 2021. Statement of comprehensive income, income statement and notes to the statement of comprehensive income, income statement including data for the 3 months period ended 31 March 2022 and comparative data for the 3 months period ended on 31 March 2021.

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 2022 the Company's Management Board consisted of the following members:

Paweł Surówka – President of the Management Board,
Luis Manuel Conceicao do 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,
Dariusz Stolarczyk – Member of the Management Board,
Tomasz Polański – Member of the Management Board.

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2.2. SUPERVISORY BOARD

As at 31 March 2022 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

On 31 January 2022, the Supervisory Board of Eurocash adopted a resolution to appoint Mr. Dariusz Stolarczyk and Mr. Tomasz Polański to the positions of Management Board Members with effect from 1 February 2022.

In addition, on 31 January 2022, the Company received notifications from Mr. Rui Amaral and Mr. Noel Collett about resignation from the function of Members of the Management Board of Eurocash with effect on 31 January 2022. The submitted resignations did not contain information about their reasons.

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CONDENSED SEPARATE INCOME STATEMENT FOR THE PERIOD FROM 01.01.2022 TO 31.03.2022

	Non audited 1 Quarter for the period from 01.01.2022 to 31.03.2022	Non audited 1 Quarter for the period from 01.01.2021 to 31.03.2021
Sales	3 954 760 868	3 617 760 849
Sales of goods	3 929 342 046	3 605 083 366
Sales of services	25 418 822	12 677 483
Costs of sales	(3 468 506 647)	(3 238 525 960)
Costs of goods sold	(3 468 506 647)	(3 238 525 960)
Gross profit (loss)	486 254 221	379 234 889
Selling expenses	(360 526 689)	(323 011 476)
General and administrative expenses	(70 796 759)	(60 595 268)
Profit (loss) on sales	54 930 774	(4 371 855)
Other operating income	32 396 290	11 904 335
Other operating expenses	(6 539 311)	(4 891 683)
Operating profit (loss)	80 787 753	2 640 797
Financial income	5 910 797	5 924 167
Financial costs	(43 164 147)	(27 676 470)
Profit (loss) before tax	43 534 404	(19 111 505)
Income tax expense	(9 555 612)	2 306 075
Profit (loss) for the period	33 978 792	(16 805 430)
EARNINGS PER SHARE		
	PLN / share	PLN / share
Profit (loss) for the period	33 978 792	(16 805 430)
Weighted average number of shares	139 163 286	139 163 286
Weighted average diluted number of shares	139 163 286	139 163 286
Earnings per share		
- basic	0,24	(0,12)
- diluted	0,24	(0,12)

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
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**CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01.2022
TO 31.03.2022**

	Non audited 1 Quarter for the period from 01.01.2022 to 31.03.2022	Non audited 1 Quarter for the period from 01.01.2021 to 31.03.2021
Profit (loss) for the period	33 978 792	(16 805 430)
Other comprehensive income for the period	4 520 259	4 998 696
Items that may be subsequently reclassified to profit or loss:		
- The result on hedge accounting with the tax effect:	4 520 259	4 998 696
Total comprehensive income for the period	38 499 050	(11 806 734)
Total Income		
Owners of the Company	38 499 050	(11 806 734)
Total comprehensive income for the period	38 499 050	(11 806 734)

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2022	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 31.03.2022

	Non audited as at 31.03.2022	as at 31.12.2021
<i>Assets</i>		
Non-current assets (long-term)	4 563 818 634	4 577 552 123
Goodwill	1 204 087 310	1 204 087 310
Intangible assets	577 485 378	589 060 258
Property, plant and equipment	385 002 481	393 578 904
Right of use assets	828 810 229	830 318 024
Investment property	909 790	913 684
Investments in subsidiary companies	1 539 782 642	1 546 474 327
Investments in equity accounted investees	4 590 840	4 590 840
Other long-term investments	19 537 642	4 202 474
Long-term receivables	1 350 081	1 424 348
Other long-term prepayments	2 262 242	2 901 955
Current assets (short-term)	1 963 613 183	2 092 999 643
Inventories	900 121 040	955 912 870
Trade receivables	964 994 446	995 839 265
Other short-term receivables	16 130 861	83 241 466
Other short-term financial assets	18 669 153	15 360 196
Short-term prepayments	29 777 470	23 383 276
Cash and cash equivalents	33 920 214	19 262 571
Total assets	6 527 431 817	6 670 551 767

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

	Non audited as at 31.03.2022	as at 31.12.2021
<i>Equity and liabilities</i>		
Equity	1 340 246 056	1 301 747 005
Equity attributable to Owners of the Company	1 340 246 056	1 301 747 005
Share capital	139 163 286	139 163 286
Reserve capital	940 850 351	940 850 351
Valuation equity of hedging transactions	14 085 116	9 564 857
Retained earnings	246 147 303	212 168 511
Accumulated profit / loss from previous years	212 168 511	75 155 019
Profit (loss) for the period	33 978 792	137 013 492
Liabilities	5 187 185 761	5 368 804 761
Non-current liabilities	1 679 886 863	1 458 363 469
Long-term loans and borrowings	796 020 000	571 020 000
Other long-term financial liabilities	125 000 000	125 000 000
Long-term lease liabilities	718 780 344	721 847 018
Other long-term liabilities	15 497 004	15 497 004
Deferred tax liabilities	20 347 653	20 757 585
Employee benefits	4 241 863	4 241 863
Current liabilities	3 507 298 897	3 910 441 292
Loans and borrowings	239 058 825	456 133 712
Other short-term financial liabilities	16 935 409	16 763 774
Short-term lease liabilities	178 288 940	174 243 883
Trade payables	2 614 730 162	2 800 868 535
Current tax liabilities	8 845 554	6 382 004
Other short-term payables	162 600 333	184 477 060
Current employee benefits	102 609 618	92 123 119
Provisions	184 230 057	179 449 205
Total equity and liabilities	6 527 431 816	6 670 551 767

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2022	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 01.01.2022 TO 31.03.2022

Non audited	Non audited
1 Quarter	1 Quarter
for the period	for the period
from 01.01.2022	from 01.01.2021
to 31.03.2022	to 31.03.2021

Cash flow from operating activities

Profit (loss) before tax	43 534 404	(19 111 505)
Adjustments for:	109 593 787	99 791 130
Depreciation and amortization	71 399 352	79 257 325
(Gain) loss on sale of property, plant, equipment ,loans and shares	6 486 651	(2 425 378)
Profit (loss) on exchange rates	2 515 087	4 916 011
Dividends received / declared	-	(739 075)
Interest expenses	31 602 861	19 388 490
Interest received	(2 410 165)	(606 243)
Operating cash before changes in working capital	153 128 190	80 679 625
Changes in inventory	55 791 830	(25 333 061)
Changes in receivables	97 693 734	(1 828 901)
Changes in payables	(197 300 153)	1 745 337
Changes in provisions and employee benefits	(3 103 002)	10 980 333
Operating cash	106 210 599	66 243 333
Interest received	832 200	648 881
Interest paid	(6 447 136)	(2 893 079)
Income tax paid	(8 577 309)	(2 603 264)
Net cash from operating activities	92 018 354	61 395 871

Cash flow from investing activities

Aquisition of intangible assets	(5 189 466)	(8 051 331)
Proceeds from sale of intangible assets, property, plant and equipment	4 324	1 421 541
Aquisition of property, plant and equipment tangible fixed assets	(16 538 876)	(18 015 031)
Proceeds from sale of property, plant and equipment	1 008 291	2 568 179
Dividends received	-	739 075
Loans granted	(13 114 850)	(10 148 361)
Repayment received of given loans	51 290	24 776
Interest received	1 596 830	(116 618)
Net cash used in investing activities	(32 182 457)	(31 577 771)

Cash flow from financing activities

Income/expenses for other financial liabilities	171 635	948 338
Proceeds from loans and borrowings	225 000 000	126 220 937
Repayment of borrowings	(217 074 887)	(95 794 426)
Expenses for liabilities from leasing	(35 420 757)	(42 541 411)
Other interests	(4 155 299)	(11 781 638)
Interests on loans and borrowings	(13 698 946)	(4 777 620)
Net cash used in financing activities	(45 178 255)	(27 725 821)

Net change in cash and cash equivalents	14 657 642	2 092 279
Cash and cash equivalents at the beginning of the period	19 262 571	20 609 792
Cash and cash equivalents at the end of the period	33 920 214	22 702 071

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

CONDENSED SEPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 01.01.2022 TO 31.03.2022

	Share capital	Reserve capital	Hedge reserve	Retained earnings	Total
<i>Changes in equity in the period from 01.01 to 31.03.2021</i>					
<i>Restated*</i>					
Balance as at 01.01.2021 after changes*	139 163 286	878 713 695	(21 734 503)	204 090 052	1 200 232 530
Profit (loss) for the period from 01.01. to 31.03.2021	-	-	-	(16 805 430)	(16 805 430)
Other comprehensive income	-	-	4 998 696	-	4 998 696
Total comprehensive income for the period from 01.01. to 31.03.2021	-	-	4 998 696	(16 805 430)	(11 806 734)
Balance as at 31.03.2021*	139 163 286	878 713 695	(16 735 807)	187 284 622	1 188 425 797
<i>Changes in equity in the period from 01.01 to 31.03.2022</i>					
Balance as at 01.01.2022	139 163 286	940 850 351	9 564 857	212 168 511	1 301 747 005
Profit (loss) for the period from 01.01. to 31.12.2022	-	-	-	33 978 792	33 978 792
Other comprehensive income	-	-	4 520 259	-	4 520 259
Total comprehensive income for the period from 01.01. to 31.03.2022	-	-	4 520 259	33 978 792	38 499 050
Balance as at 31.03.2022	139 163 286	940 850 351	14 085 116	246 147 303	1 340 246 056

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SUPPLEMENTARY INFORMATION TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2022 TO 31.03.2022

1. GENERAL INFORMATION

1.1. ISSUE OF THE FINANCIAL STATEMENT

According to the resolution of the Management Board dated 11 May 2022, these condensed interim separate financial statements of Eurocash S.A. for the period from 1 January 2022 to 31 March 2022 were authorised for publication.

According to the information included in the report no. 1/2022 dated 28 January 2022 sent to the Polish Financial Supervision Authority, Eurocash S.A. issues its interim consolidated financial statements on 12 May 2022.

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 2022, and the separate financial statements of Eurocash S.A. as at and for the year ended 31 December 2021, which are available on the website 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. 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 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 and costs recognition and costs associated with the sale of goods

The application of IFRS 15 requires the Company to make subjective judgments and estimates that significantly affect the determination of the amount and date of revenue recognition. If the contractual remuneration includes a variable amount, the Company estimates the amount of remuneration to which it will be entitled in return for the provision of the promised goods or services to the customer. The estimated amounts of bonuses due to customers under distribution agreements are recognized on an ongoing basis in the Company's result at the time of sale of goods by reducing the transaction price (income).

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

The company, when buying goods from suppliers, is entitled to the so-called retrorabates, in accordance with signed trade agreements. The Company regularly estimates the discount due to it and adjusts the value of inventories at the time of purchasing the goods. Consequently, this discount corrects the cost of sale at the time of sale of the goods.

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. Based on the analysis performed, the Company assessed that the liabilities covered by the reverse factoring are more similar in nature to liabilities to suppliers than to liabilities due to financing. As a result, they are presented in the balance sheet under "Trade and other liabilities", and payments are recognized in the Statement of cash flows upon payment by the Group companies to the factor as cash flows from operating activities. 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.

Tradis customer relations

When determining the period of economic use of the above asset recognized on the acquisition of Tradis Group, the management took into account development plans related to key customers acquired together with the Tradis Group and their previous history of cooperation. Current analyzes confirm the previously adopted assumptions regarding the useful life.

<i>Condensed interim separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Split Payment

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

Court cases and disputes

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.

1.5. 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 2021, excluding the application of new or amended standards and interpretations applicable to annual periods beginning on 1 January 2021 and later.

1.6. GOING CONCERN ASSUMPTION

These financial statements have been prepared on the assumption that the Company (the parent company of Eurocash Group) will continue as a going concern in the foreseeable future, ie not less than 12 months from the balance sheet date. The most important, in the opinion of the Management Board, factors, risks and uncertainties influencing the assessment of the going concern assumption are discussed below, in relation to, inter alia, the forms and durability of financing of the Company's activities. When making this assessment, the Management Board also took into account the existing and expected risks resulting from external factors such as the COVID-19 pandemic, the impact of the war in Ukraine, the availability of various forms of financing used by the Company and internal factors, including the impact of sales dynamics on cash generation and capital the Company's rotary business. In the first quarter of 2022, the Company generated cash from operating activities in the amount of PLN 92 million, while in the similar period of the previous year the Company generated approximately PLN 61 million.

As at 31 March 2022, there was a surplus of current liabilities over its current assets in the amount of PLN 1.54 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, inventory is minimized and suppliers grant deferred payment terms. At the same time, the Company is developing the retail network, involving its own funds and funds from external sources of financing. The Company's net working capital (including inventories, trade receivables and trade payables) was negative and amounted to minus PLN 750 million as at 31 March 2022, compared to minus PLN 807 million as at 31 March 2021. The companies increased the value of annual sales by approximately 9.3%, and the quarterly profit on sales amounted to approximately PLN 54.9 million and was higher by PLN 59.3 million than in the previous year.

The financial plans prepared by the Management Board for 2022, as described in detail below, indicate that the Company maintains liquidity and the ongoing servicing of liabilities. The conditions precedent related to the loan agreements are monitored on an ongoing basis as at the balance sheet date. On 31 March 2022, the terms of the loan agreements were not breached. Moreover, the Company also has unused credit limits in the amount of PLN 307,8 million.

<i>Condensed interim separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

The Company also analyzed the timely payment of its trade liabilities. Details are included in note 2. The Company plans to maintain the structure and timing of the rotation of liabilities in subsequent reporting periods.

As at 31 March 2022, the Company had credit limits at domestic banks and the EBRD in the amount of PLN 1,211.8 million, while their use was PLN 904.0 million, which accounts for 75% of the limits granted. The Company uses loans secured with the BGK guarantee to the greatest extent, due to the one-off nature of the costs incurred to disburse these loans. Therefore, 37% of loans secured with BGK's guarantees are used, 100% of long-term loans, and only 0.1% of short-term loans (excluding loans secured with BGK's guarantees).

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 the loan agreement ending in September 2020, and (2) the long-term part (in the amount of PLN 196 million). PLN) loan disbursed under the agreement concluded with the European Bank for Reconstruction and Development in the second quarter of 2020 in the amount of PLN 222.75 million, valid until June 2025. The funds obtained from this loan were used mainly to finance the purchase of Frisco S.A. In the second quarter of 2021, the loan was repaid as planned, in the amount of PLN 8.9 million. The use of the revolving loan as at 31 March 2022 was PLN 200 million, while the EBRD loan was PLN 213.8 million, of which the amount of PLN 17.8 million, due to the obligatory repayment, which will take place in the second quarter of 2022, was classified as loans short-term.

As at 31 March 2022, the total amount of credit limits secured by the BGK guarantee was PLN 245 million, and their use was PLN 90.1 million.

As a standard, the Company also has (not taking into account the short-term part of the long-term loan and loans secured by the surety of Bank Gospodarstwa Krajowego) 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 153 million and their use is PLN 0.1 million. In each adopted model, the Management Board assumes that all necessary credit limits in current accounts will be extended for subsequent periods.

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 maximum total amount of all issues of PLN 1,000,000,000. The issue was in demand from a wide group of investors and was made public by listing it on the ASO (Catalyst) market on the Stock Exchange.

The company uses minimal financing of fixed assets through leasing. As at 31 March 2022, the Company had active lease agreements with two financial institutions with a total exposure of PLN 1.2 million, which was recognized in the statement of financial position as a liability before the implementation of IFRS16. Additional impact due to IFRS 16, resulting from lease agreements and lease agreements with entities other than financial institutions, amounts to PLN 895.8 million. The total amount of the Company's total lease liabilities is PLN 897.0 million and it was presented in the statement of financial position of the Company.

<i>Condensed interim separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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 0.8 billion and (2) factoring of receivables - PLN 210 million. Part of the factoring program in the amount of PLN 250 million is guaranteed under the anti-crisis shield, with an 80% guarantee from Bank Gospodarstwa Krajowego.

The use of factoring lines amounts to PLN 0.78 billion in reverse factoring programs and PLN 157.8 million in receivables factoring programs, respectively.

The implementation in the first quarter of the liquidity forecasts prepared by the Company for the entire year 2022 in cooperation with an independent expert confirmed their accuracy in terms of the estimated amounts of financial debt and in terms of risk assessment. The financial plan for the next four quarters assumes maintaining the availability of trade credit limits from suppliers and limits in financing instruments made available by the banking sector. The scenario analyzes presented in the annual report for 2021 are still valid.

Based on the analysis, the Management Board concluded that the Group and the Company have sufficient sources of financing and that there is no significant uncertainty for the continuation of their activities.

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

2. NOTES TO CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2022 TO 31.03.2022

NOTE 1. ACQUISITION OF SHARES IN SUBSIDIARIES

Acquisition of 49% of company Arhelan Sp. z o.o.

General information

On 09.11.2021, Eurocash acquired 49% of shares in Arhelan sp.z o.o., at the same time committing to acquire 1% of shares in the future. Arhelan runs a network of over 100 retail stores under the brand Polskie Sklepy Arhelan. The network was founded in 1991 in Bielsk Podlaski by the Burzyński Family. The activity is conducted mainly in the Podlaskie region, but also in Warmińsko-Mazurskie, Mazowieckie and Lubelskie. The brand is distinguished by fresh products of the highest quality, obtained from reliable suppliers, and the Arhelan expansion model fits in with a socially responsible presence in local markets.

The purchase price also includes variable elements depending on the performance of contractual provisions in the future.

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS

1. Name of acquired company	Arhelan Sp. z o.o.
2. Acquisition date	09.11.2021
3. Acquisition cost	101 213 210

Settlement for the acquisition of business units

Due to the short period between the acquisition of the Company and the preparation of these consolidated financial statements, these consolidated financial statements include the initial settlement of the purchase price of shares in Arhelan Sp. z o.o. The Group is in the process of identifying and measuring the acquired assets and assumed liabilities.

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**Settlement of the
acquisition as at
09.11.2021**

<i>Assets</i>	
Non-current assets (long-term)	78 163 966
Intangible assets	892 245
Tangible fixed assets	15 785 872
Assets due to the right of use (IFRS 16)	60 983 926
Long-term receivables	89 990
Other long-term prepayments	411 933
Current assets (short-term)	40 059 575
Inventory	26 165 964
Trade receivables	4 011 270
Other short-term receivables	61 690
Short-term prepayments	8 580 659
Cash and cash equivalents	1 239 991
Total assets	118 223 541
<i>Equity nad liabilities</i>	
Liabilities	103 046 510
Non-current liabilities	58 773 646
Long-term loans and credits	5 309 640
Other long-term liabilities	50 968 027
Long-term finance lease liabilities (MSSF16)	2 134 917
Other long-term provision	361 062
Current liabilities	44 272 863
Short-term loans and credits	1 011 360
Short-term finance lease liabilities	1 019 569
Short-term finance lease liabilities (MSSF16)	10 015 898
Trade liabilities	22 834 445
Current income tax liabilities	1 598 629
Other short-term liabilities	3 791 262
Current employee benefits	2 396 422
Other short-term provisions	1 605 278
Net assets	15 177 031
Net assets acquired (49 %)	15 177 031
Goodwill on acquisition	86 036 179
Acquisition cost	101 213 210

The resulting goodwill is mainly related to the fact that thanks to the acquisition of Arhelan, Grupa Eurocash S.A. expanded its distribution channels for food, chemicals and cosmetics.

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 2.

OTHER EXPLANATORY INFORMATION

Sales revenue

The sale of goods is homogeneous.

In the field of sales of services, the main titles are revenues from services for the operation of the franchise network, franchise fees, provision of logistics services.

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 31.03.2022

	for the period from 01.01.2022 to 31.03.2022	for the period from 01.01.2021 to 31.12.2021
Opening balance	24 959 185	20 368 770
- increase *	-	4 590 415
- decrease *	(5 282 695)	-
Closing balance	19 676 490	24 959 185

* 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, inter alia, payment history, type of business, geolocation, cooperation evaluation and financial data. In 2021, the analysis showed that the write-down 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, where the expected credit loss model was based on the standard approach, in which:

1. The ECL (Expected Credit Loss) is equal to (EAD) the product of the customer's balance, (PD) the probability of at least 90 days delay in payment and (LGD) the amount of losses incurred in the event of default.
2. PD was calculated on the basis of an artificial intelligence algorithm taking into account the history of payments, type of business, geolocation. The modeling result was compared (using a weight) with the assessment of cooperation with the client made separately by the sales and debt collection departments.
3. The level of LGD is influenced by the security provided by customers.

The analysis of concentration shows its actual lack

Condensed interim separate financial statements of EUROCASH S.A.			
Financial statements period:	01.01-31.03.2022	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Balance range	Number of customers	% of number of customers	Balance	% of Company's balance
>10mln	0	0,00%	0	0,00%
5-10mln	1	0,00%	5 509 417	0,93%
2-5mln	13	0,06%	33 319 983	5,61%
1-2mln	39	0,18%	52 088 138	8,78%
0,5-1mln	116	0,53%	78 904 736	13,30%
0,2-0,5mln	461	2,10%	139 503 396	23,51%
0,1-0,2mln	660	3,01%	93 204 900	15,70%
0,05-0,1mln	923	4,21%	64 747 736	10,91%
<0,05mln	16 666	75,99%	132 192 443	22,27%
negative	3 053	13,92%	-5 993 666	-1,01%

AGING OF TRADE RECEIVABLES AS AT 31.03.2022

	Trade receivables gross value as at 31.03.2022	Trade receivables gross value as at 31.12.2021
current	904 203 075	901 981 706
1-30 days	66 787 666	83 130 571
31-90 days	6 673 937	21 070 652
91-180 days	1 977 649	1 179 554
> 180 days	19 895 918	26 976 336
	999 538 245	1 034 338 820

WRITE-OFF OF TRADE RECEIVABLES AS AT 31.03.2022

	for the period from 01.01.2022 to 31.03.2022	for the period from 01.01.2021 to 31.12.2021
Opening balance	38 499 556	48 570 830
Increase *	-	-
Decrease *	(3 955 757)	(10 071 274)
Closing balance	34 543 799	38 499 556

* net value

Valuation equity of hedging transactions

The Group uses hedge accounting for cash flows related to the repayment of interest-bearing liabilities. Hedged items are also future highly probable liabilities. The interest rate swap is an instrument hedging exposure to interest rate risk, under which the Group converts the stream of interest payments based on the variable WIBOR 1M interest rate into payments with a fixed interest rate. The company designates the designated derivative instruments as hedging instruments in the cash flow hedge model and recognizes them in accordance with the hedge accounting principles.

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

Value	Issuing Date	Start Date	End Date	Valuation 31.03.2022
100 000 000	30.08.2019	02.09.2019	31.08.2022	1 408 506
100 000 000	30.08.2019	02.09.2019	31.08.2022	1 408 506
100 000 000	29.08.2019	02.09.2019	29.07.2022	1 490 518
200 000 000	28.02.2020	07.01.2022	09.01.2023	6 441 961
100 000 000	09.03.2020	05.03.2021	06.03.2023	4 345 568
100 000 000	03.03.2020	04.03.2022	06.03.2023	4 126 602
100 000 000	07.04.2021	17.01.2022	16.01.2023	3 901 938

Trade liabilities

Eurocash achieved the assessment, thanks to factoring and based on this judgment, classified itself to progress. reverse factoring as a supply title and enabling compliance by enabling compliance with a compliance assertion will enable compliance with the arrangements by providing significant facilitations for payments. As part of the provision of services related to services and services on 31 March 2022, the value of financial services and paid money services were recognized in the amount of PLN 1.007.732.935,34, on 31 December 2021 the appropriate value of the balances is PLN 1,119,586,687.

The company uses 7 reverse factoring lines, which finance deliveries from 58 suppliers. The terms of payment to the factor do not differ from the payment terms agreed with the websites. Instance will be submitted to obtain legal status, surety or a declaration of submission to, for example, a trial.

Aging of trade liabilities is presented below.

Aging of trade liabilities as balance sheet date	31.03.2022	31.12.2021
current	2 614 522 523	2 800 868 535
1-30 days	-	-
31-90 days	-	-
91-180 days	-	-
> 180 days	-	-
	2 614 522 523	2 800 868 535

The structure of maturity of liabilities takes into account maturity of liabilities in the settlement with the items of corrections of these liabilities from suppliers

NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determining fair values

As at 31 March 2022, the fair value of financial instruments was close to their carrying amount. The Company has interest rate risk hedging instruments, IRS, which are measured at fair value. For the aforementioned IRS, the fair value was classified to level 2 of the hierarchy - the fair value is determined based on the values observed in the market, but not being direct market quotes (e.g. they are determined by direct or indirect reference to similar instruments available on the market). Due to the applied hedge accounting, the valuation effect is recognized in other comprehensive income.

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NOTE 4.
BOOK VALUE PER SHARE AS AT 31.03.2022

BOOK VALUE PER SHARE		
	as at 31.03.2022	as at 31.12.2021
Equity attributable to Owners of the Company	1 340 246 056	1 301 747 005
Number of shares	139 163 286	139 163 286
Diluted number of shares	139 163 286	139 163 286
Book value per share	9,63	9,35
Diluted book value per share	9,63	9,35

NOTE 5.

TRANSACTIONS WITH THE 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 6.

ITEMS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

CONTINGENCES AS AT 31.03.2022

	Beneficiary	Title	Currency	as at	as at
				31.03.2022	31.12.2021
1	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
2	Bank 2 **	Surety for the Eurocash Group companies regarding the cash pool agreement in the amount of the credit limit	PLN	2 040 000 000	2 040 000 000
3	Bank 2 ***	Surety for liabilities resulting from the "Franchise Partners Financing Program" for the Franchisee of Delikatesy Centrum	PLN	121 276	184 020
4	Bank 4 ***	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Lease Agreement	PLN	143 646	248 593
5	Bank 4 ***	Surety for liabilities of Partnerski Serwis Detaliczny S.A. under the Lease Agreement	PLN	35 784	38 385
6	Bank 5 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Factoring Agreement	PLN	0	300 000 000
7	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
8	Bank 7 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Factoring Agreement	PLN	50 000 000	50 000 000
9	Bank 8 **	Surety for loan of Frisco S.A.	PLN	15 000 000	15 000 000
10	Bank 8**	Surety of an agreement for transactions on the financial market of Frisco S.A.	PLN	5 000 000	2 150 000
11	Bank 4 ***	Surety for liabilities of Frisco S.A. under the Leasing Agreement	PLN	30 841 312	30 825 021
12	Company 1 **	Surety for trade liabilities of Eurocash Serwis Sp. z o.o.	PLN	1 000 000	1 000 000
13	Company 2 **	Surety for non-trade liabilities of ABC na kołach Sp. z o.o.	PLN	200 000	200 000
14	Company 3 **	Surety for trade liabilities of ABC na kołach Sp. z o.o.	PLN	300 000	300 000
15	Bank 9 **	Surety for liabilities of Group Companies due to Factoring Agreement	PLN	240 000 000	300 000 000
16	Company 5 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	53 699 096	47 648 811
17	Company 4 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	6 666 833	6 590 743
18	Company 8 **	Surety for liabilities of Frisco S.A. due to derivative contracts	PLN	8 420 866	8 324 757
19	Company 9 **	Surety for liabilities of Frisco S.A. due to derivative contracts	PLN	81 115 968	80 190 174
20	Company 6 **	Surety for non-trade liabilities of Delikatesy Centrum Sp. z o.o.	PLN	5 900 000	5 900 000
21	Company 7 **	Surety for trade liabilities of Frisco S.A.	PLN	3 250 000	3 080 000
22	Company 2 **	Surety for non-trade liabilities of Frisco S.A.	PLN	500 000	300 000
23	Company 10 **	Surety for liabilities due to Lease agreements for EC Serwis	PLN	1 042 177	0
** nominal value				4 808 236 959	5 156 980 504
*** debt value as at balance sheet date					

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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 2022 contingences of Eurocash S.A. by debt value, amounted to PLN 1.373 million, while as at 31.12.2021 PLN: 1.495,3 million.

BANK GUARANTEES AS AT 31.03.2022

	Bank quarantee drawer	Title	Currency	as at 31.03.2022	as at 31.12.2021
1	Bank 2	Security for rent liabilities	PLN	8 692 535	8 675 895
2	Bank 3	Security for rent liabilities *	PLN	32 972 953	32 452 414
3	Bank 4	Security for excise duty	PLN	500 000	500 000
4	Bank 5	Payment security for suppliers *	PLN	4 652 500	4 594 100
5	Bank 6	Payment security for suppliers	PLN	40 700 000	40 700 000
6	Bank 7	Payment security for suppliers *	PLN	11 699 331	11 025 840
7	Bank 8	Security for payment with the use of national road	PLN	1 320 100	1 320 100
8	Bank 10	Payment security for suppliers	PLN	20 500 000	19 500 000
9	Bank 11	Security for liabilities due to proper realisation of the agreement	PLN	2 673 530	2 639 971
				123 710 949	121 408 320

* Guarantees in EUR were converted into PLN according to the average NBP exchange rate, respectively
31.03.2022; 1 EUR = 4,6525 PLN,
31.12.2021; 1 EUR = 4,5994 PLN

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SECURITY ON ASSETS AS AT 31.03.2022		Secure amount in PLN	Secure amount in PLN
Title	Secured property	as at 31.03.2022	as at 31.12.2021
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	597 841	662 484
		525 695 141	525 759 784

** minimal security nominal value

NOTE 7. UNCERTAIN TAX TREATMENT

Regulations concerning value added tax, corporate income tax and social security charges are subject to frequent changes. These frequent changes result in a lack of appropriate benchmarks, inconsistent interpretations and few established precedents that could apply. The applicable regulations also contain ambiguities, which cause differences in opinions as to the legal interpretation of tax regulations, both between state authorities and enterprises.

Tax settlements and other areas of activity (for example, customs or foreign exchange issues) may be subject to inspection by authorities authorized to impose high penalties and fines, and any additional tax liabilities arising from these authorities' decisions must be paid with high interest. These conditions create a tax risk in Poland it is greater than in countries with more mature tax systems.

Consequently, the amounts presented and disclosed in the financial statements may change in the future as a result of the final decision of the authority.

In the previous reporting periods, the Company carried out transactions and participated in restructuring processes that may be analyzed and audited by tax authorities.

On 15 July 2016, amendments to the Tax Ordinance Act entered into force in order to incorporate the provisions of the General Anti-Avoidance Clause (GAAR). GAAR is designed to prevent the emergence and use of artificial legal structures designed to avoid paying tax in Poland. Currently, GAAR defines tax avoidance as an activity whose main or one of the main objectives was to achieve a tax advantage that, in the given circumstances, was inconsistent with the object or purpose of a tax act or provision thereof. According to GAAR, such an activity does not result in obtaining a tax advantage if the mode of operation was artificial. Occurrence of, among others (i) unjustified splitting of operations,

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(ii) the involvement of intermediaries despite the lack of economic or economic justification, (iii) mutually canceling or compensating elements, and (iv) other activities that do not have an economic substance, may be treated as an indication of the existence of artificial activities subject to GAAR. The new regulations require a much greater judgment as to the economic content of a transaction when assessing the tax consequences of individual transactions.

The GAAR clause should be applied to transactions made after its entry into force and to transactions that were carried out before the entry into force of the GAAR clause, but for which benefits were or are still achieved after the entry into force of the clause. The implementation of the above provisions makes it possible to question the tax consequences of the legal arrangements and agreements implemented by taxpayers, such as group restructuring and reorganization.

The Group recognizes and measures current and deferred tax assets or liabilities using the requirements of IAS 12 Income Taxes based on profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates, taking into account the assessment of uncertainty related to settlements tax. When there is uncertainty as to whether and to what extent the tax authority will accept individual tax settlements of a transaction, the Group recognizes these settlements taking into account the assessment of uncertainty.

On 19 June 2017, to Eurocash S.A. a report on the audit of the tax books for 2011 was provided, in which the possibility of making depreciation write-offs on certain values of the economic copyrights was questioned, which in the audited period amounted to approx. PLN 41 million. On 5 July 2017, the Company submitted reservations to the minutes.

On 28 September 2017, the Head of the Wielkopolska Customs and Tax Office in Poznań issued a decision for Eurocash S.A., in which he stated in the case indicated that the Company's tax liability for 2011 was underestimated by the Company in the amount of approximately PLN 8 million. Based on a legal and tax analysis carried out by external experts, on 17 October 2017, the Company appealed against this decision. It indicates a number of arguments proving the correctness of the tax settlements made by the Company, including confirmation of the correctness of the settlements through positive interpretations of tax law.

By the decision of 19 March 2019, the Director of the Tax Administration Chamber in Poznań, after examining 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. On 22 April 2022 as a result of reconsideration of the case, the Head of the Greater Poland Customs and Tax Office in Poznań after conducting the control procedure in accordance with the decision of the Director of the Tax Control Office in Poznań. stated that the tax liability was underestimated by PLN 2.5 million. The company will appeal against the above-mentioned decision.

On 28 February 2018, the Head of the Greater Poland Customs and Tax Office in Poznań initiated an inspection of corporate income tax for 2016. On 8 April 2022. The head of the Greater Poland Customs and Tax Office in Poznań issued a decision to transform the customs and fiscal control into tax proceedings.

On 17 December 2019, the Head of the Greater Poland Customs and Tax Office in Poznań initiated a customs and tax inspection in the field of corporate income tax for 2014 and 2015.

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

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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 - evaluation of the initial value of intangible assets and legal (trademarks). In response to the above-mentioned decision on 5 February 2021 and 15 April 2021. The company appealed against the decision.

Head of the Wielkopolska Customs and Tax Office in Poznań after conducting tax proceedings pursuant to the decision of the Head of the Wielkopolska Customs and Tax Office in Poznań of 21 April 2021. on the transformation of the customs and tax inspection into tax proceedings in the field of corporate income tax for 2015, issued on 23 June 2021. decisions specifying the tax liability in the corporate income tax for 2015 in the amount of approximately PLN 22.5 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 - evaluation of the initial value of intangible assets and legal (trademarks). In response to the above-mentioned decision, on 21 July 2021, the Company appealed. Due to the control, the Company created provisions which it recognized in previous reporting periods.

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 indicated two questionable forms of settlements between Eurocash and suppliers - i.e. collecting remuneration for (i) general-network services / sales support services, and (ii) services to expand sales markets. As part of the ongoing proceedings, in response to the request of the President of the Office of Competition and Consumer Protection, the Company announced that from 2017 it did not receive 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. At the same time, the Company from 01.01.2021. implementing the project started in 2017. strategy of simplifying relationships with suppliers, it stopped providing general-network services / sales support and collecting remuneration for suppliers, about which it informed the President of UOKiK. On 30 November 2021. The President of the Office of Competition and Consumer Protection (UOKiK) issued a decision in which he found that the Company had committed a practice dishonestly using the contractual advantage consisting in requiring suppliers of agricultural and food products to pay fees for services that are not performed on their behalf or are performed, but about their implementation, including costs and the results, the suppliers are not informed and for this reason they imposed a fine on the Company in the amount of PLN 76,019,901.23. The company does not agree with the position of the President of the Office of Competition and Consumer Protection, therefore on 30 December 2021 appealed against the decision of the President of UOKiK to the Court of Competition and Consumer Protection. In connection with the above, the Company has not established a provision on this account. The obligation to pay a 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.

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NOTE 8.
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.

As at 31.12.2020, 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 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.

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NOTE 9.

OTHER IMPORTANT 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.

After two years of the pandemic, societies learned to function with it, especially as effective vaccines appeared that significantly limited its negative effects. The pandemic is now coming to an end and most countries are recovering partially or fully from the Covid-19 restrictions. Even so, there is a risk of new virus mutations emerging. Therefore, the Company monitors the situation on an ongoing basis and responds to the recommendations of the Chief Sanitary Inspector and other services in Poland.

2. The war in Ukraine

On 24 February 2022, Russian troops attacked Ukraine and an armed conflict began, which will certainly have long-term consequences not only for Poland or Europe, but also for the world.

In response to the invasion, US and EU representatives imposed sanctions on Russia. The sanctions package is intended, in particular, to hinder the conduct of international trade. The sanctions also include issues such as the disconnection of Russian banks from the SWIFT system, obstruction of the activities of the Russian central bank, or the closure of airspace to Russian planes. Canada, Switzerland and Japan also joined the various activities undertaken by the US, EU and Great Britain in February 2022. The introduction of sanctions caused, inter alia, suspension of the Russian stock exchange, a sharp increase in cash turnover, a collapse of the ruble exchange rate.

The role of Russia and Ukraine in the broadly understood international trade is concentrated in narrow sectors in which both countries are large producers. This applies to energy resources (natural gas and crude oil) and agricultural produce.

Therefore, there is a high probability that in the long run we will pay more for fuel, gas, electricity and food, which will probably result in a further increase in inflation observed since 2021.

Due to the close proximity of Poland to both countries, a sudden influx of emigrants from Ukraine began, currently estimated at over a million people. On the other hand, many people of Ukrainian origin, living and working in Poland, decided to return to Ukraine to take part in the war. Both in the short and in the longer term, it may be important for the Polish labor market.

Eurocash operates in the territory of Poland, so the impact of hostilities should not have a significant impact on its current operations. However, the company employs many people from beyond our eastern border and the potential outflow of some employees from Poland may have an impact on the current operations of the Company, although at the moment it is not noticeable.

However, the situation is very dynamic and it is difficult to predict the effects of hostilities in the long run. That is why Eurocash constantly monitors the situation both in Poland and abroad.

The economic effects for Eurocash should be considered in two short-term and medium-term paces. As we expect that in the short term (up to 1 year) there will be a decrease in imports and exports to / from Russia and Ukraine, an increase in public and private consumption, an increase in the supply of employees (especially women), a decrease in investments, a weakening of the Polish zloty, an

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increase in the prices of energy, fuel, gas and agricultural produce (imported in large quantities from Russia or Ukraine) and the economic slowdown in Europe, it will probably have multidimensional consequences for the Group. We can expect an increase in sales and a simultaneous increase in prices in this short term. Taking into account the labor market and the activities carried out by the Company consisting in the modernization of workplaces so as to enable an increase in the share of women in the logistics industry, in the perspective of the first half of 2022, we do not draw any negative scenarios that could affect the financial condition of the Company. In the so-called In the medium term, it is difficult to estimate the real risks, which will most likely be related to persistent inflation, potential sales drops, but probably quite favorable situation on the labor market and the persistent environment allowing for higher than usual margins. The demand in the industry in which the Company operates seems resistant to events such as the war in a neighboring country.

The Eurocash Group was actively involved in helping Ukraine by organizing many collections of basic necessities and campaigns supporting employees from beyond our eastern border. The company has implemented, among others support program for employees from Ukraine, in cooperation with the Temporary Employment Agency. This made it possible to bring several hundred families of Group employees to our country.

The group also announced a boycott of Russian and Belarusian products, but estimates the impact of this decision will not be significant for its results. As an expression of solidarity with Ukraine, the Group decided to suspend the purchase and sale of these products in all its channels.

In connection with the situation in Ukraine, the Group also identifies an increased risk of depreciation of the Polish zloty and a potential increase in interest rates.

NOTE 10.

IMPORTANT EVENTS AFTER THE PERIOD COVERED BY THE FINANCIAL STATEMENTS

There were no important events after the period covered by the financial statement affecting the activity of the Group.

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SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
Management Board Member Human Resources Director	Katarzyna Kopaczewska	11 th May 2022	
Management Board Member Financial Director	Jacek Owczarek	11 th May 2022	

EUROCASH GROUP S.A.

REPORT OF THE MANAGEMENT BOARD

FOR THE PERIOD FROM 1st JANUARY 2022 TO 31st MARCH 2022



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, 11th May 2022

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EUROCASH GROUP – REPORT OF THE MANAGEMENT BOARD 1Q 2022

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 and Arhelan sp. z o.o. (Eurocash holds 49% 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.

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 2022

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 2022

	1Q 2022	1Q 2021	Change %
PLN m			
Sales revenues (traded goods, materials)	6 527,89	5 812,10	12,32%
Gross profit (loss) on sales	908,80	743,12	22,29%
Gross profitability on sales (%)	13,92%	12,79%	1,14 p.p.
EBITDA	151,02	115,93	30,27%
(EBITDA margin %)	2,31%	1,99%	0,32 p.p.
EBIT	1,66	(33,62)	-104,94%
(EBIT margin %)	0,03%	-0,58%	0,6 p.p.
Gross profit	(39,21)	(65,88)	-40,48%
Net Income	(50,34)	(70,91)	-29,02%
(Net profitability %)	-0,77%	-1,22%	0,45 p.p.

Consolidated total sales of Eurocash Group in 1Q 2022 amounted to PLN 6 527,89 m and increased by 12.32% YoY. The main driver of sales growth was increase of sales in wholesale division and consolidation of Arhelan sales.

Consolidated gross profitability in 1Q 2022 amounted to 13,92% and increased by 1,14 p.p. comparing to 1Q 2021.

Consolidated EBITDA in 1Q 2022 amounted to PLN 151,02 m and increased by 30,27% YoY. EBITDA increase was attributable to improved profitability in wholesale and in retail segment.

The net loss amounted to PLN -50,34 m in 1Q 2022 comparing with the net loss at level of PLN -70,91 m in 1Q 2021. Decrease of the net loss in 1Q 2022 is attributable to improved profitability in wholesale and retail segment.

Sales by format

Table 2: Eurocash Group: External sales of goods dynamics by distribution format for 1Q 2022

PLN m	1Q 2022	1Q 2021	Change %
Wholesale	4 666,95	4 184,37	11,53%
Cash&Carry	1 082,15	944,02	14,63%
Tobacco	1 858,61	1 682,01	10,50%
Distribution	1 674,94	1 524,01	9,90%
Food Service	44,62	30,07	48,36%
Other	6,63	4,27	55,31%
Retail	1 660,75	1 477,25	12,42%
Delikatesy Centrum Franchise	583,62	583,47	0,03%
Supermarkets Own	813,49	784,41	3,71%
Arhelan	141,02	0,00	n/a
Inmedio	122,61	109,36	12,11%
Projects	168,39	118,68	41,89%
Eurocash Group	6 496,09	5 780,30	12,38%

Wholesale

- In 1Q 2022 external sales of goods in Wholesale segment amounted to PLN 4 666,95 m and increased by 11,53% comparing with 1Q 2021.
- EBITDA of the Wholesale segment amounted in 1Q 2022 to PLN 148,96m growing by 26.5% yoy.
- LFL sales growth (same number of stores) in Eurocash Cash&Carry stores in 1Q 2022 amounted to - 13.7%.
- The number of Eurocash Cash&Carry stores at the end of 1Q 2022 amounted to 179.
- The number of abc stores amounted to 8 720 at the end of 1Q 2022 which is a decrease by 429 stores compared with previous quarter, which was related among others with the process of chain review initiated in 2022.
- Number of partnership or franchise stores organized by companies belonging to Eurocash Group (Groszek, Euro Sklep, Lewiatan and PSD) amounted to 5 617 stores as of the end of 1Q 2022 which is an increase of 272 stores YoY.
- Sales of cigarettes Tobacco & Impulse distribution format in terms of volume amounted in 1Q 2022 to 2 788 m pieces and increased by 8.65% YoY.
- Sales of cigarettes in terms of value increased by 12.1% in 1Q 2022 YoY.

Retail

- Sales of goods realized by Retail segment in 1Q 2022 amounted to PLN 1 660,75m and increased by 12.42%.
- EBITDA of the Retail segment in 1Q 2022 amounted to PLN 51,86 m comparing to PLN 35,82 m in 1Q 2021. The increase in EBITDA was driven by own stores performance.
- LFL growth of wholesale sales realized by Eurocash to "Delikatesy Centrum" franchise stores amounted to 2,1% in 1Q 2022.

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- LFL growth of retail sales of “Delikatesy Centrum” own stores amounted to 2.7%, JV stores to 10.1% and franchised stores amounted to 6.1% % in 1Q 2022.
- LFL dynamic of retail sales in 1Q 2022 amounted in Inmedio stores to 13.55% YoY.
- Number of Small Supermarkets in 1Q 2022 amounted to 1 554.
- Number of total “Delikatesy Centrum” stores at the end of 1Q 2022 amounted to 1 514, including 944 Franchise stores and 570 own or JV stores.
- Number of Inmedio stores at the end of 1Q 2022 amounted to 410 stores.

Projects

- Sales of goods realized by Projects segment in 1Q 2022 amounted to PLN 168,39m, growing by 41.89% yoy.
- Sales increase was due to geographical expansion of Frisco, which sales amounted to PLN 97.5m growing 43.2% yoy and further expansion of Duży Ben chain with 226 stores at the end of 1Q 2022.
- EBITDA of Projects segment in 1Q 2022 amounted to negative PLN -17,97 m comparing to result of PLN -10,96m in 1Q 2021.

Others

- EBITDA of Others segment amounted in 1Q 2022 to PLN -31,83 m comparing to PLN -26,68 m in 1Q 2021.

Operating segments

Below we present quarter results of each segment for years 2021-2022.

Table 3: Eurocash Group: Operating segments results in Q1 2022

1Q 2022 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	4 666,95	1 660,75	168,39	0,00	6 496,09
EBIT	89,55	-17,64	-33,48	-36,77	1,66
<i>(EBIT margin %)</i>	1,92%	-1,06%	-19,88%		0,03%
EBITDA	148,96	51,86	-17,97	-31,83	151,02
<i>(EBITDA margin %)</i>	3,19%	3,12%	-10,67%		2,32%

Table 4: Eurocash Group: Operating segments results in Q1 2021

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

Cash flow

Table 5: Eurocash Group: Consolidated cash flow for 1Q 2022

	1Q 2022	1Q 2021
PLN m		
Operating cash flow	9,86	(21,76)
<i>Gross profit (loss)</i>	<i>(39,21)</i>	<i>(65,88)</i>
<i>Depreciation</i>	<i>149,36</i>	<i>149,55</i>
<i>Change in working capital</i>	<i>(95,87)</i>	<i>(132,67)</i>
<i>Other</i>	<i>(4,42)</i>	<i>27,24</i>
Cash flow from investments	(43,29)	(43,83)
Cash flow from financing activities	26,40	63,41
Total cash flow	(7,03)	(2,18)

Total cash flow in 1Q 2022 amounted to PLN -7,03 m, while the operating cash flow reached PLN +9,86m. Cash flow from investments amounted to PLN -43,29 m and cash flow from financing activities amounted in 1Q 2022 to PLN 26,40 m.

Net debt of Eurocash Group at the end of March 2022 amounted to PLN 3 111 m comparing to result of PLN 2 902 m at the end of March 2021. The net debt/EBITDA ratio calculated according to the rules of bank covenants (before IFRS16) was 2.57 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 6: Eurocash Group: Consolidated working capital ratios flow for 1Q 2022

Turnover in days	1Q 2022	1Q 2021
1. Inventories turnover	21,51	21,70
2. Trade receivables turnover	17,93	21,46
3. Trade liabilities turnover	(58,86)	(65,74)
4. Operating cycle (1+2)	39,43	43,16
5. Cash conversion (4+3)	(19,42)	(22,57)

Cash conversion in 1Q 2022 reached -19,42 days comparing with -22,57 days in 1Q 2021. The change was mainly attributable to lower level of trade liabilities turnover, which was partially off-set with lower trade receivables turnover.

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 7: Eurocash Group: Selected consolidated balance sheet items.

PLN m	31.03.2022		31.12.2021	
Fixed assets	5 275,24	62,53%	5 267,50	62,06%
Current assets	3 161,26	37,47%	3 219,80	37,94%
Total assets	8 436,50	100,00%	8 487,30	100,00%
Equity	735,52	8,72%	786,60	9,27%
Liabilities and provisions	7 700,98	91,28%	7 700,70	90,73%
Total liabilities and equity	8 436,50	100,00%	8 487,30	100,00%

Net debt of Eurocash Group at the end of March 2022 amounted to PLN 3 111 m, while at the end of March 2021 it reached PLN 2 902 m.

3. Summary of financial results of Eurocash S.A. in 1Q 2022

Profit & loss account

Table 8: Eurocash S.A.: Summary of financial results for 1Q 2022

	1Q 2022	1Q 2021	Change %
PLN m			
Sales revenues (traded goods, materials)	3 954,76	3 617,76	9,32%
Gross profit (loss) on sales	486,25	379,23	28,22%
Gross profitability on sales (%)	12,30%	10,48%	1,81 p.p.
EBITDA	152,19	81,90	85,82%
(EBITDA margin %)	3,85%	2,26%	1,58 p.p.
EBIT	80,79	2,64	2959,22%
(EBIT margin %)	2,04%	0,07%	1,97 p.p.
Gross profit	43,53	(19,11)	-327,79%
Net Income	33,98	(16,81)	-302,19%
(Net profitability %)	0,86%	-0,46%	1,32 p.p.

Sales of Eurocash S.A. in 1Q 2022 amounted to PLN 3 954,76 m and increased by 9,32% YoY.

Gross margin on sales realized by Eurocash S.A. in 1Q 2022 amounted to 12,30%.

In 1Q 2022 EBITDA amounted to PLN 152,19 m. The net profit in 1Q 2022 amounted to PLN 33,98 m.

Cash flow

Table 9: Eurocash S.A.: Cash flow for 1Q 2022

	1Q 2022	1Q 2021
PLN m		
Operating cash flow	92,02	61,40
Gross profit (loss)	43,53	(19,11)
Depreciation	71,40	79,26
Change in working capital	(43,81)	(25,42)
Other	20,90	26,67
Cash flow from investments	(32,18)	(31,58)
Cash flow from financing activities	(45,18)	(27,73)
Total cash flow	14,66	2,09

Total cash flow of Eurocash S.A. in 1Q 2022 amounted to PLN 14,66 m and operating cash flow amounted to negative PLN 92,02 m.

Working capital

Table 10: Eurocash S.A.: Working capital ratios for 1Q 2022

Turnover in days	1Q 2022	1Q 2021
1. Inventories turnover	20,48	19,80
2. Trade receivables turnover	21,96	25,60
3. Trade liabilities turnover	(67,85)	(73,14)
4. Operating cycle (1+2)	42,45	45,40
5. Cash conversion (4+3)	(25,40)	(27,74)

Cash conversion of Eurocash S.A. in 1Q 2022 amounted to -25,40 days in comparison to the -27,74 days reached in 1Q 2021.

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 11: Eurocash S.A.: Selected balance sheet items

PLN m	31.03.2022		31.12.2021	
Fixed assets	4 563,82	69,92%	4 577,55	68,62%
Current assets	1 963,61	30,08%	2 093,00	31,38%
Total assets	6 527,43	100,00%	6 670,55	100,00%
Equity	1 340,25	20,53%	1 301,75	19,51%
Liabilities and provisions	5 187,19	79,47%	5 368,80	80,49%
Total liabilities and equity	6 527,43	100,00%	6 670,55	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 2022

COVID-19

In connection with the occurrence of the COVID 19 pandemic in Poland in 2021, 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 1st January 2022 and 31st March 2022 no shares were issued.

There have been no other major events that influenced Eurocash Group income or loss in 1Q 2022.

6. Development perspectives

External Factors

War in Ukraine

On the 24th of February 2022, Russian troops attacked Ukraine and an armed conflict began, which will certainly have long-term consequences not only for Poland and Europe, but also for the world.

In response to the invasion, US and EU officials have imposed sanctions on Russia. The sanctions also included issues such as disconnecting Russian banks from the SWIFT system, impeding the activities of the Russian central bank, and closing airspace to Russian aircraft. Canada, Switzerland, and Japan also joined the various actions taken by the U.S., EU, and U.K. as recently as February 2022.

Although the role of Russia and Ukraine in the wider international trade may not be significant, it is concentrated in narrow sectors in which both countries are large producers. This concerns energy resources (natural gas and oil) and agricultural products. It is therefore very likely that in the long run we will pay more for fuel, gas, electricity, and food, which will probably increase the already high inflation rate.

In addition, both countries are crossed by a transit line from Asia, which may significantly delay or even prevent the transport of many raw materials to Europe.

Due to the close proximity of both countries, Poland has experienced a rapid influx of emigrants from Ukraine, currently exceeding two million people. On the other hand, many Ukrainians living and working in Poland have decided to return to Ukraine to take part in the war. In the long term, this may have an impact on the Polish labour market.

Eurocash Group operates on the territory of Poland, so the impact of military actions should not have a significant influence on its current activity. However, the Group employs many people from across our eastern border and a potential outflow of some employees from Poland may affect the Group's current operations, although at present it is not perceptible.

Warfare will certainly cause an increase in prices of many raw materials which will accelerate inflation growth. The Group does not assume that this will have any impact on its profitability,

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However, the situation is very dynamic and it is difficult to predict the effects of the warfare in the long run. Therefore, Eurocash Group is continuously monitoring the situation both in Poland and abroad.

Eurocash Group has actively contributed to aiding Ukraine by organising numerous collections of basic necessities and actions to support employees from beyond our eastern border. The Group has actively joined in the assistance to Ukraine by organising many collections of basic necessities and actions to support employees from across our eastern border. The Group implemented, among others, a support program for Ukrainian workers, in cooperation with a Temporary Employment Agency. This made it possible to bring several hundred families of Group employees to our country.

The Group has also announced a boycott of Russian and Belarusian products. As an expression of solidarity with Ukraine, it decided to suspend the purchase and sale of these products in all of its channels.

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. The possible development of the epidemic in Poland may have a negative impact on the Group's operating activities and the production capacity of suppliers or the sales volume of customers. Taking into account the above-mentioned circumstances, the Group's Management Board analyzed the possible impact of the indicated situation on the financial results. On the basis of the conducted analysis, the Group's Management Board did not find any significant uncertainty as to the possibility of the functioning of the Parent Company and its subsidiaries in the future.

Growth in the FMCG market and its structure

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

Fuel prices

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

Inflation

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

Labour costs

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

Internal Factors

Integration of acquired company

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.

Investments in strategic developments projects

In order to maintain the competitiveness of the independent store trade in Poland, Eurocash Group continues to invest in innovative projects: Duży Ben, abc on wheels, Kontigo, distribution of high quality fresh products and others. The results of these projects have a negative impact on the Group's results, but in the opinion of the Management Board there is a need to continue these investments in order to guarantee further growth in the next 5 to 10 years. After the projects Faktoria Win, PayUp, distribution of high quality fresh products, successfully implemented in the previous years, the Group decided to develop the concepts: Duży Ben and Kontigo and in future making them available to franchisees. Eurocash Group also intends to develop in the e-commerce segment through its company Frisco.

Apart from the information described in this report, there are no other significant factors that could affect the financial position of Eurocash Group in the next 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 2021, the traditional distribution channel was a significant form of FMCG retail distribution, representing the share of 36,4%¹. 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

¹ Nielsen Retail Trade Panel, Value sales, period: January 2018 - December 2021, Food categories

distribution including the expansion of discounters, responsible for 40,5%² of sales in Poland in 2021, will reduce the potential 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.

Internal Factors

IT systems

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

New investments

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

Suppliers

Due to the range of products offered by the Eurocash Group and geographically diverse sales, key suppliers of the Group are numerous and as at 31st December 2021 comprised to 1396 national and foreign entities.

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

² *Ibidem*

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 12: Risk management system

Risk area	Risk examples	Elements of the risk management system - methods of monitoring and controlling
Ethics and counteracting corruption	<ul style="list-style-type: none"> • Risk of public corruption • Risk of corruption in relations with contractors • Risk of fraud against employees • Risk of internal frauds • Risk of conflict of interest 	<ul style="list-style-type: none"> • Eurocash Group's Code of Ethics • Eurocash Group values - clearly defined and communicated to employees • Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics • 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 • Anti-mobbing policy

		<ul style="list-style-type: none"> • Training for employees on Eurocash Group values and ethics rules • Instructions for accepting gifts from contractors (giving gifts for charity) • Implementation of procedures and process for managing conflicts of interest, including a survey-declaration of actual or potential conflicts of interest.
Legal	<ul style="list-style-type: none"> • Risk of consumer law violation • Risk of competition law violation • Risk of forbidden agreements regulations violation • Risk of violating regulations on payment congestion • Risk of violating antitrust law • Risk of violation of personal data protection regulations • Risk of violating the provisions of the Commercial Companies Code • Risk of violating business secrecy and confidential data • Risk of regulated advertising and intellectual property regulations violation 	<p>Policies and procedures to monitor compliance with consumer rights legislation</p> <p>Training and awareness-raising of employees</p> <p>Monitoring the profile and level of risks identified in the Group</p> <p>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</p> <p>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</p> <p>Implementing a unified system of creating and publishing marketing content</p>
Taxes	<p>Risk of improper calculation and/or recognition of PIT / CIT / VAT</p> <p>Risk of improper verification of contractors</p> <p>Risk of non-effective implementation of procedures regarding tax reporting obligations</p>	<p>Implementation of procedures to ensure proper calculation of tax liabilities</p> <p>Designing tools to support the calculation of tax liabilities</p> <p>Implementation of procedures concerning fulfillment of due diligence requirements towards contractors</p> <p>Training on tax risks and the contractor verification process</p>

<p>Human resources/ workplace</p>	<ul style="list-style-type: none"> • Risk of losing employees • Risk of non-compliance with labor law by employees • Risk of low employee involvement • Risk of mobbing and other abuses towards employees • Risk of unfair assessment of employees' professional development • Risk of lack of professional development opportunities for employees • Risk of low employee satisfaction with work 	<ul style="list-style-type: none"> • Procedures and instructions regulating the workplace, including work regulations, remuneration and employee bonuses regulations • Activities and agreements with trade unions • Established and uniform rules for the use of the Social Benefits Fund • Ensuring compliance with labor law by training for management and continuous monitoring of working time records • Procedures and instructions for hiring new employees • Benefits system for employees (private medical care, co-financing for sports activities) • Co-financing of education for employees • Cyclical survey of employees' opinions • Eurocash Group values - clearly defined and communicated to employees • 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 • Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics • Work results management system • Annual employee development assessments • Talent development programs (Management Trainee and Sales & Operational Trainee) • E-learning platform with numerous employee trainings • External training according to the needs of given roles / functions / departments • Anti-mobbing policy • Activity in social media
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Employees' health and safety	<ul style="list-style-type: none"> • Risk of accidents at work • Risk of fire and other accidents that may endanger the life and health of employees • The risk of access to unauthorized facilities that may endanger the safety of employees • Risk of assault on employees in the field and branches • Risk of occupational diseases (work at the computer, work in a warehouse, etc.) 	<ul style="list-style-type: none"> • Internal health and safety procedures and instructions • Systematic checks on compliance with health and safety procedures and instructions • Health and safety training for employees • Systematic training on emergency actions (e.g. trial evacuations in case of fires, etc.) • Devices and means ensuring safety in crisis situations (fire, evacuation, etc.) • Providing AED (defibrillator) devices in the Group's facilities with a large number of employees • Protection against access by third parties and protection of objects • Ensuring the physical protection of employees and facilities • Systematic training in first aid • Program to increase driving safety • Co-financing for sport activities and private medical care • Functioning of sports clubs enabling integration and recreation of employees
Food Quality and Safety	<ul style="list-style-type: none"> • Risk of marketing food that is not tested, of dubious quality or does not meet legal standards • The risk of food being placed on the market after the expiration date • Risk of breaking the cold chain for fresh products • Risk of inadequate storage and transport of food products • Risk of inadequate disposal of overdue, defective or damaged products • Risk of non-compliance with sanitary requirements 	<ul style="list-style-type: none"> • The implemented HACCP food safety program • IFS, BRC, ISO 22000 certifications and audits conducted by external entities in relation to the EC Group • Internal analysis and quality audits in distribution centers and branches • Dedicated team of food quality controllers covering geographically all regions of activity • OWDP (General Terms of Supply of Products) regulating cooperation with suppliers in the field of quality and food transport • In the case of own brand products - systematic audits at manufacturers' factories • Complaint process regarding both returns from customers and suppliers

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

	<ul style="list-style-type: none"> • Risk of generating waste unfavorable to the environment • Risk of a significant amount of waste (e.g. damage, food processing) • Risk of improper waste and secondary raw materials segregation 	<ul style="list-style-type: none"> • Waste segregation and management of recyclable materials
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8. Additional information

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 1st January 2022 and 31st March 2022 no shares or bonds were issued.

Changes in Key Management Principles

Appointment of Member of the Management Board

On 16 December 2021 The Management Board of Eurocash S.A. ("the Company") informed that the Supervisory Board of Eurocash adopted a resolution appointing Mr. Paweł Surówka as President of the Management Board of Eurocash S.A. with effect from 1 January 2022. On the same day, Mr Luis Amaral changed his position to the position of a Member of the Management Board. On January 31st 2022 On 31 January 2022, the Supervisory Board of Eurocash adopted a resolution concerning the appointment of Mr. Dariusz Stolarczyk and Mr. Tomasz Polański as Members of the Management Board of the Company effective as of 1 February 2022. On the same day Mr. Noel Collett and Mr. Rui Amaral has resigned.

In 1Q 2022, there were no other major changes in the basic 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 2022.

Shareholders with Direct or Indirect Substantial Shareholding in Eurocash

As at 11th May 2022 the structure of shareholders holding directly or indirectly large blocks of shares in Eurocash S.A. was as below.

Table 13: Shareholders with Direct or Indirect Substantial Shareholding in Eurocash

	11.05.2022				31.12.2021			
Shareholder	Number of shares	Share in share capital (%)	Number of shares	Share in total number of votes	Number of shares	Share in share capital (%)	Number of shares	Share in total number of votes
Luis Amaral (directly and indirectly*)	61 287 778	44,04%	61 287 778	44,04%	61 287 778	44,04%	61 287 778	44,04%
Others	77 875 508	55,96%	77 875 508	55,96%	77 875 508	55,96%	77 875 508	55,96%
Total	139 163 286	100,00%	139 163 286	100,00%	139 163 286	100,00%	139 163 286	100,00%

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

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

Table 14: Shares in the company held by members of the management board and their rights to subscription

	Eurocash shareholding		Share subscription rights	
	11.05.2022	31.12.2021	11.05.2022	31.12.2021
Paweł Surówka	-	-	-	-
Luis Amaral (directly and indirectly)	61 287 778	61 287 778	0	0
Rui Amaral	347 025	347 025	0	0
Katarzyna Kopaczewska	330 000	330 000	0	0
Arnaldo Guerreiro	325 500	325 500	0	0
Pedro Martinho	1 055 803	1 055 803	0	0
Jacek Owczarek*	73 694	73 694	0	0
Przemysław Ciał	9 850	9 850	0	0
Noel Collett	-	-	-	-
Tomasz Polański	-	-	-	-
Dariusz Stolarczyk	-	-	-	-

*indirectly through persons closely related

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

	Eurocash shareholding		Share subscription rights	
	11.05.2022	31.12.2021	11.05.2022	31.12.2021
Hans-Joachim Körber	0	0	0	0
Jorge Mora	121 500	121 500	0	0
Renato Arie	0	0	0	0
Francisco José Valente Hipólito dos Santos	0	0	0	0
Przemysław Budkowski	0	0	0	0

Information on Court Proceedings

On October 2nd 2020, the Company received the Decision of the Chairman of UOKiK (the Office of Competition and Consumer Protection) dated September 28th 2020 on institution of proceedings against Eurocash S.A. for practices unfairly exploiting contractual advantage. When initiating the proceedings, the Chairman of UOKiK found it necessary to verify whether certain practices applied by Eurocash S.A. could be classified as abuse of contractual advantage. In the decision to initiate proceedings, the Chairman of UOKiK indicated two questionable forms of settlements between Eurocash S.A. and its suppliers, i.e. the charging of remuneration for (i) general network/sales support services, and (ii) market expansion services. As part of the ongoing proceedings, in response to the summons from the Chairman of the UOKiK, the Company informed that since 2017 it has not charged any remuneration for market expansion services, whereas in the period 01.01.2019. - 31.10.2020, it charged suppliers a total of approximately PLN 19 million for the provision of network-wide / sales support services. As part of the ongoing proceedings, we are responding to all questions from the Chairman of UOKiK and clarifying 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 assess the impact (including the financial impact) of the proceedings initiated by the Chairman of UOKiK. On 30 November 2021, the President of the Office for Competition and Consumer Protection issued a decision concluding that the Company had engaged in unfair contractual advantage practice consisting in requiring from suppliers of agricultural and food products fees for services which are not performed. On 30 November 2021, the President of the Office for Competition and Consumer Protection issued a decision in which he stated that the Company committed a practice of unfairly exploiting contractual advantage by charging suppliers of agricultural and food products for services which are not performed for them or which are performed but about which the suppliers are not informed, including their costs and results, and imposed a fine on the Company in the amount of PLN 76,019,901.23. The Company does not agree with the position of the President of OCCP, therefore on 30 December 2021 it appealed against the decision of the President of OCCP to the Court of Competition and Consumer Protection. The obligation to pay the fine imposed by the President of OCCP arises only after the decision becomes final, i.e. after the verdict of the Court of Second Instance (Court of Appeal) is issued. In the current conditions, the duration of proceedings from the moment of issuance of the decision to the moment of issuance of the final judgment by the Court of Appeal is about 4-5 years.

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

Strategic options review

On 28th January 2021 r. the Management Board decided to commence the process of reviewing potential strategic options for development of the Eurocash Group and consequently on 29th January 2021 entered into an agreement with the strategic advisor and next involved into the process/entered into agreements with the financial and commercial advisors that will assist the Company to identify and potentially select the optimal strategic options. The review of the strategic options is aimed at choosing the best way of realization of the long term goal of the Company i.e. to develop the Group and maximize its value for current and future shareholders of the Company. During the review the Company intends to analyze scenarios, among others, related to potentially attracting new investors for the Company and/or for its selected business segments and/or its subsidiaries; the analysis will cover also Eurocash Group potential reorganization options in order to further integrate Eurocash Group structure. The above list of options is not exhaustive and does not prevent considering other options, not listed above, should any emerge from the review, including disposal of assets.

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

In the 1Q 2022 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 2022 companies belonging to Eurocash Group did not execute transactions with related parties otherwise than in the ordinary course of business on an arm's length basis.

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

Apart of information provided in this report there 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.

Investment in strategical growth projects

In order to maintain the competitiveness of the independent store trade in Poland, Eurocash Group continues to invest in innovative projects: Duży Ben, abc on wheels, Kontigo, distribution of high quality fresh products and others. The results of these projects have a negative impact on the Group's results, but in the opinion of the Management Board there is a need to continue these investments in order to guarantee further growth in the next 5 to 10 years. After the projects Faktoria Win, PayUp, distribution of high quality fresh products, successfully implemented in the previous years, the Group decided to develop the concepts: Duży Ben and Kontigo and in future making them available to franchisees. Eurocash Group also intends to develop in the e-commerce segment through its company Frisco.

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.

Seasonal factors in trade

In the opinion of the Management Board, in Q2 2022, a favourable factor for sales growth in the retail sector is the calendar effect of postponing purchases related to Easter, as well as the higher air temperatures observed in May, exceeding the historical average, which may contribute to increasing sales, among others impulse products and beverages.

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	11 th May 2022	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	11 th May 2022	