



**EUROCASH S.A.**

**SEPARATE ANNUAL REPORT**

**FOR THE 2019**

**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.

- A.** LETTER FROM THE PRESIDENT
- B.** EUROCASH S.A. – REPORT OF THE MANAGEMENT BOARD
- C.** SELECTED SEPARATED FINANCIAL DATA
- D.** AUDITOR'S OPINION & REPORT
- E.** SEPARATED FINANCIAL STATEMENTS
- F.** STATEMENT AND VALUATION OF THE SUPERVISORY BOARD
- G.** STATEMENT AND INFORMATION OF THE MANAGEMENT BOARD

EUROCASH S.A. SEPARATE ANNUAL REPORT FOR 2019	
REPORT OF THE MANAGEMENT BOARD	Page 1

**EUROCASH S.A.**

**REPORT OF THE MANAGEMENT BOARD**

FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

**NOTE FROM TRANSLATOR**

This document is a translation from Polish.

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

**KOMORNIKI, 12<sup>th</sup> March 2020**

## Contents

<b>LETTER FROM THE PRESIDENT.....</b>	<b>4</b>
<b>1. SUMMARY OF EUROCASH OPERATIONS IN 2019 .....</b>	<b>6</b>
<b>2. EUROCASH GROUP BUSINESS OVERVIEW .....</b>	<b>9</b>
2.1. MARKET ENVIRONMENT .....	9
2.2. EUROCASH GROUP: BUSINESS FORMATS .....	14
2.3. NUMBER OF OUTLETS.....	17
2.4. SALES STRUCTURE.....	17
2.5. STRUCTURE OF THE EUROCASH CAPITAL GROUP .....	17
<b>3. EUROCASH DEVELOPMENT PROSPECTS .....</b>	<b>20</b>
3.1. EUROCASH DEVELOPMENT STRATEGY .....	20
3.2. FACTORS IMPACTING DEVELOPMENT OF EUROCASH.....	21
3.3. RISKS AND THREATS.....	23
3.4. NOTE ON SEASONALITY.....	28
<b>4. MANAGEMENT DISCUSSION OF EUROCASH FINANCIAL PERFORMANCE FOR 2019.....</b>	<b>29</b>
4.1. PRINCIPLES APPLIED IN THE PREPARATION OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS.....	29
4.2. PROFIT AND LOSS ACCOUNT .....	29
4.3. BALANCE SHEET DATA.....	31
4.4. KEY OFF-BALANCE SHEET ITEMS.....	33
4.5. EUROCASH CASH FLOW ANALYSIS .....	33
4.6. INVESTMENT ACTIVITY .....	35
4.7. KEY CONTRIBUTORS TO 2017 FINANCIAL PERFORMANCE OF EUROCASH S.A.....	35
<b>5. ADDITIONAL INFORMATION .....</b>	<b>36</b>
5.1. INFORMATION ON COURT PROCEEDINGS.....	36
5.2. INFORMATION ON SIGNIFICANT AGREEMENTS .....	36
5.3. INFORMATION CONCERNING EXECUTION BY THE ISSUER OR ITS SUBSIDIARY TRANSACTION WITH RELATED PARTIES.....	36
5.4. INFORMATION ON TRANSACTIONS WITH CONNECTED ENTITIES .....	37
5.5. FORECASTS PUBLICATION .....	37
5.6. CHANGES IN KEY MANAGEMENT PRINCIPLES.....	37
5.7. AGREEMENTS WITH MEMBERS OF THE MANAGEMENT BOARD AS FINANCIAL COMPENSATION GUARANTEES.....	37
5.8. INFORMATION ON REGISTERED AUDIT COMPANY .....	38
<b>6. STATEMENT ON CORPORATE GOVERNANCE RULES.....</b>	<b>39</b>
6.1. INDICATION OF CORPORATE GOVERNANCE RULES APPLICABLE TO ISSUER.....	39
6.2. SHAREHOLDERS STRUCTURE.....	39
6.3. DIVERSITY IN THE WORKPLACE .....	41
6.4. THE PARENT'S GOVERNING BODIES.....	41
6.5. DISCUSSION OF AMENDMENTS TO ISSUER'S STATUTES .....	50
6.6. DISCUSSION OF PREMISES FOR APPOINTING AND RECALLING MANAGEMENT STAFF AND THEIR ENTITLEMENTS - IN PARTICULAR RIGHT TO TAKE DECISIONS ON SHARE ISSUE OR BUYOUT .....	51
6.7. INFORMATION ON EMPLOYEE SHARES CONTROL SYSTEM.....	51
6.8. KEY FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS APPLIED BY THE COMPANY IN DRAFTING FINANCIAL STATEMENTS .....	52
6.9. INFORMATION REGARDING AUDIT COMMITTEE .....	54

<b>7. STATEMENT ON NON-FINANCIAL INFORMATION.....</b>	<b>57</b>
7.1. ABOUT EURICASH GROUP .....	57
7.2. RESPONSIBLE MANAGEMENT.....	60
7.3. EUROCASH GROUP STRATEGY .....	61
7.4. EMPLOYEES.....	67
7.5. QUALITY WITHOUT COMPROMISE FOR EVERYONE.....	76
7.6. WE USE LESS, WE DON'T WASTE.....	79
7.7. EUROCASH SKILLS ACADEMY .....	81
7.8. EUROCASH GROUP FOUNDATION.....	85
<b>8. REPRESENTATIONS OF THE MANAGEMENT BOARD .....</b>	<b>87</b>
8.1. APPOINTMENT OF ENTITY QUALIFIED TO AUDIT FINANCIAL STATEMENTS .....	87
<b>APPENDIX: Financial Ratios Definitions.....</b>	<b>88</b>

## LETTER FROM THE PRESIDENT

Dear Shareholders, Partners, Employees, Clients,

In 2020 we will celebrate the 25<sup>th</sup> Anniversary of Eurocash. This, what today is one of the biggest companies in Poland, at the beginning was just a vision.

If we look back – we can see how much we achieved. The most important thing was that we managed to help our clients in their fight with large chains. Independent trade is today still the largest segment of the FMCG market, while 25 years ago, it seemed impossible, that small stores will survive. We have been able to grow, as scale was one of the key factors to improve efficiency of supply chain for the small format stores. We grew from 1% market share to app. 28% of the FMCG wholesale market in Poland.



Apart of this we managed to develop a number of tools, which helped our clients – franchise systems to give the marketing support, modern and efficient supply chain to increase their competitiveness. We see also the work we did in order to change the image of traditional trade – it was the old way to look at small format stores, which after this 25 years can call themselves modern independent trade.

In 2019 we took some very important challenges to optimize our business. One of our key achievements was integration of the retail segment. 2020 will be the first year for this segment to work as one centralized body. The supermarket chain of currently over 1500 stores under the Delikatesy Centrum brand is going to be the largest in the country.

In 2019 as Eurocash Group, we kept supporting polish small and medium entrepreneurs to customize their offer to their clients' needs and differentiate their stores from offering of large chains. We successfully managed to merge Eurocash Distribution with Eurocash Alcohol creating a business with sales revenues at level of 7bn PLN. As a result we will be able to improve efficiency and service to our clients. Thanks to our commitment to continue development of the Eurocash.pl platform and mobile app, our clients are able to increase their store's cost efficiency, which ultimately translates into more time devoted to customers. In 2019 almost 12 thousand clients were using Eurocash.pl. The long-term goal is to make Eurocash.pl available to all of our 80 thousands Clients. In 2019 we launched also the extension of the platform – the Eurocash.pl Market – a marketplace to allow our clients to increase their assortment with products sold by local or non-food suppliers which is another advantage over standardized offer of large chains.

We keep investing in new business concepts. 2019 was another year of further progress on our projects segment. Duży Ben, Kontigo, abc on wheels continue their development as part of agents or franchise systems. With all these options, local entrepreneurs can freely diversify their businesses. In 2019 we started to see Duży Ben stores with positive results, what creates us a big opportunity to accelerate the growth of this format by entering new regions of Poland.

2019 was a good year for us, where we saw a strong growth in the whole business and most of our business units managed to achieve their objectives. I would like to congratulate and thank our employees, suppliers, clients and shareholders for the support and commitment they gave us. However, another year of hard work is ahead of us, with the new challenges such as difficult task of further improving the efficiency of our retail business and accelerate expansion of our projects.

Sincerely

Luis Amaral

President of the Eurocash Group

## 1. SUMMARY OF EUROCASH OPERATIONS IN 2019

**Table 1. Eurocash: Summary of 2019 Financial Performance**

PLN m	2019	2019 before IFRS16	2018	Change % (before IFRS16)
Sales revenues (traded goods, materials)	15 199.59	15 199.59	14 775.94	2.87%
Gross profit (loss) on sales	1 801.77	1 801.77	1 749.58	2.98%
Gross profitability on sales (%)	11.85%	11.85%	11.84%	0.01 p.p.
EBITDA (EBITDA margin %)	501.01 3.30%	323.57 2.13%	294.40 1.99%	9.91% 0.14 p.p.
EBIT (EBIT margin %)	216.63 1.43%	199.47 1.31%	178.66 1.21%	11.65% 0.10 p.p.
Gross profit	207.88	220.03	194.01	13.41%
Net Income (Net profitability %)	174.61 1.15%	184.46 1.21%	149.62 1.01%	23.28% 0.20 p.p.

**Table 2: Eurocash: Normalized 2019 Financial Performance (before IFRS16)**

PLN m	2019	2018	Change %
<b>One-off items</b>	<b>22.75</b>	<b>33.20</b>	
<i>PayUp disposal</i>	22.75*	63.21	
<i>Provision on restructuring costs</i>	0.00	-27.00	
<i>Costs of Mila process</i>	0.00	-3.01	
EBITDA normalized** (Normalized EBITDA margin %)	<b>300.82</b> 1.98%	<b>261.20</b> 1.77%	<b>15.17%</b> 0.21 p.p.
EBIT normalized** (Normalized EBIT margin %)	<b>176.72</b> 1.16%	<b>145.46</b> 0.98%	<b>21.49%</b> 0.18 p.p.
Net profit normalized** (Normalized net profitability %)	<b>161.71</b> 1.06%	<b>116.42</b> 0.79%	<b>38.90%</b> 0.28 p.p.

\*bonus on meeting the terms of the contract with PEP

\*\*excluding impact of the one-offs

Sales of Eurocash S.A. in 2019 reached PLN 15 199.59 m. Gross margin on sales realized by Eurocash S.A. in 2019 increased by 0.01 p.p. YoY and amounted to 11.85%. In 2019 EBITDA amounted to PLN 501.01 m. In 2019, EBITDA before IFRS16 amounted to PLN 323.57 m and increased by 9.91%. The growth of EBITDA was attributable to better performance of Wholesale segment. Other impact was one-offs in 2018 which amounted to PLN 33.20 m: sales of PayUp PLN 63.21 m, provision on restructuring costs PLN -27.00 m and costs of Mila reorganization process PLN -3.01 m.

The net profit in 2019 amounted to PLN 174.61 m. Net profit in 2019 before IFRS16 amounted to PLN 184.46 m and increased by 23.28%. Increase of net profit was attributable to higher dividends from daughter companies in 2019 in comparison with 2018.

EBITDA normalized in 2019 amounted to PLN 300.82 m compared with PLN 261.20 m previous year which means an increase of 15.17%. In 2019 there was one-offs regarding additional earn out from



agreement with PEP in connection with fulfilling the terms of the deal of PayUp sales in amount of PLN 22.75 m. EBITDA increase was primarily related to the improvement of the wholesale segment's financial results, which were partially off-set by the results of the retail segment being in the process of reorganization and integration.

There are no significant risks in the current and projected financial situation of Eurocash S.A.

Number of Eurocash Cash&Carry stores at the end of 2019 amounted to 180 outlets. Number of abc loyalty scheme stores amounted to 8 985. The number of small supermarkets increased to the level of 1 565, including 1 351 stores operating under the Delikatesy Centrum brand.

### **Implementation of IFRS16**

In January 2016, the International Accounting Standards Board issued International Financial Reporting Standard 16 Leasing ("IFRS 16"), which replaced IAS 17 Leasing, IFRIC 4 Determining whether the contract includes leasing, SKI 15 Operating leases - special promotional offers and SKI 27 Substance assessment transactions using the form of leasing. IFRS 16 sets out the accounting principles for leasing in terms of valuation, presentation and disclosure.

IFRS 16 introduces a single model of the lessees accounting and requires the lessee to recognize assets and liabilities resulting from each lease with a period exceeding 12 months, unless the underlying asset is of low value. On the date of the commencement, the lessee recognizes an asset component due to the right of use of the underlying asset and a lease liability that reflects his obligation to make lease payments.

The lessee separately recognizes depreciation of the asset component under the right of use and interest on the lease liability.

The lessee updates the valuation of the lease liability after the occurrence of certain events (eg changes in the leasing period, changes in future lease payments resulting from the change in the index or the rate used to determine these charges). In principle, the lessee recognizes the revaluation of the lease liability as an adjustment to the asset's value due to the right of use.

The Group is a lessee, mainly in the case of lease agreements for rental and means of transport.

Lessor accounting in accordance with IFRS 16 remains substantially unchanged from current accounting in accordance with IAS 17. A lessor will continue to recognize all lease agreements using the same classification principles as in IAS 17, distinguishing between operating leases and financial leasing.

IFRS 16 requires wider disclosures from both the lessee and the lessor than in the case of IAS 17.

The lessee has the right to choose a full or modified retrospective approach, and the transitional provisions provide for some practical solutions.

IFRS 16 is effective for annual periods beginning on January 1, 2019 and later. Earlier application is permitted for entities that apply IFRS 15 from or before the first application of IFRS 16. The Group has not decided to apply IFRS 16 earlier.

The Group has implemented IFRS 16 using a modified retrospective method.

The Group has benefited from the exemption regarding short-term leases.

The analysis of the Group's agreements in terms of IFRS 16 began by determining which contracts are under the definition of a lease. Lease liabilities are recognized at the value of discounted future payments during the lease term and the asset due to the right of use - in the same amount corrected by the amount of any prepayments or calculated lease payments recognized in the statement of financial position before the date of first application. Lease payments are discounted using the lesser interest rate of the lessee on the date of the first application, determined for individual leasing segments depending on their period and the type of the asset being leased.

The date of start of the leasing period is the date on which the lessor makes the asset available for use by the lessee. The leasing period includes the period during which the lessee is entitled to use, along with optional periods, when the Group may with reasonable assurance assume that it will exercise the option of extending or will not use the option of termination. In the case of establishing periods of contracts concluded for an indefinite period, the Group applied the criteria of sufficient certainty and took into account all relevant facts and circumstances, including business plans.

Presented in the Report of the Management Board non-IFRS data is not subject to analysis or review by an independent certified auditor. Data not covered by IFRS are not financed in accordance with EU IFRS. Data that is not IFRS are not uniformly defined and calculated by others, and may be not comparable to data presented by other entities, including those managing activities in the same scope of communication as the Eurocash Group. The financial information should be analysed as additional rather than replacing financial information prepared in accordance with EU IFRS. Non-IFRS data should not be assigned a higher level of materiality than measurements directly resulting from the Consolidated Financial Statements.

## 2. EUROCASH GROUP BUSINESS OVERVIEW

### 2.1. Market Environment

#### *Key macroeconomic data*

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

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

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

**Table 3: Macroeconomic situation in Poland**

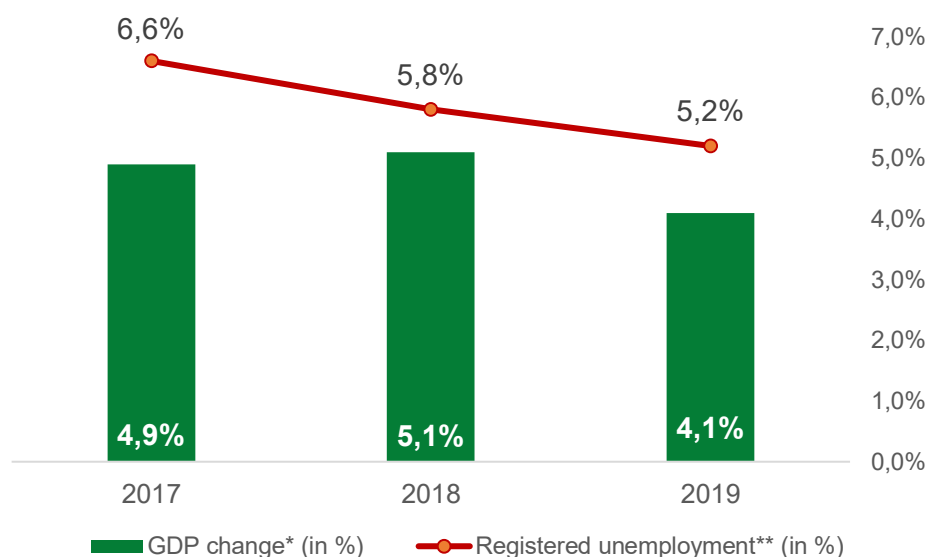
	2019 r.	2018 r.	2017 r.
GDP change* (in %)	4.1	5.1	4.9
Registered unemployment** (in %)	5.2	5.8	6.6
Wage dynamics in Poland (in%) nominally	6.5	7.0	5.6
Consumer price index change (in %)	2.3	1.6	2.0

Source: Polish Central Statistical Office

\* Preliminary data for 2019

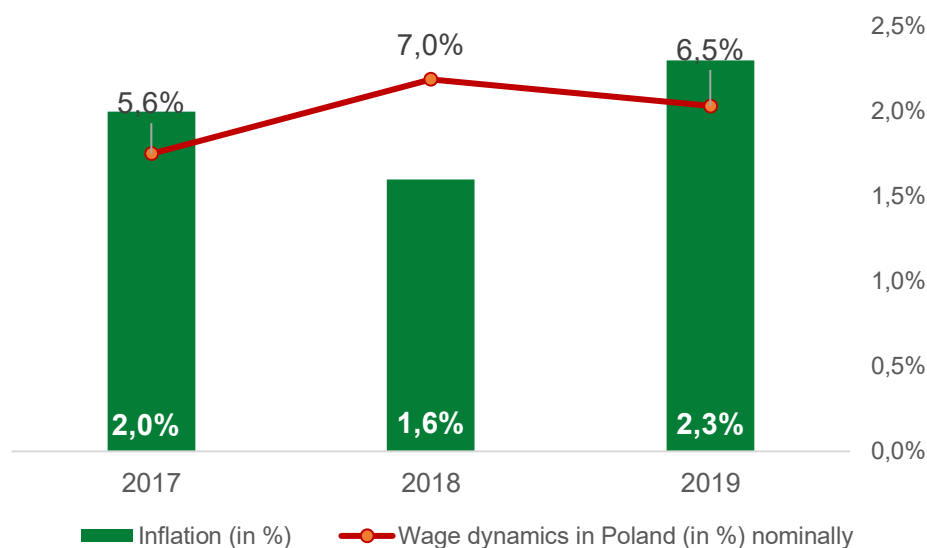
\*\* As at year end

**Chart 1. Macroeconomic: GDP change vs. Registered unemployment**



Source: Polish Central Statistical Office

**Chart 2. Macroeconomic: Inflation vs. Wage dynamics in Poland (nominally)**



Source: Polish Central Statistical Office

Poland's economic growth, as measured by GDP growth, according to preliminary estimates amounted in 2019 to 4.1% compared to 5.1% in 2018. In 2018 the fastest growing sector of the economy was trade and repair of motor vehicles – the value added in this sector increased by 4.7% year on year. High growth dynamics were achieved also by other industries. In industry – an increase by 4.2% YoY, in construction business 2.8% YoY. Total consumption in 2019 increased by 4.0% and in consumption in the household sector by 3.9% YoY.

The increase in operating expenses, which are significantly linked to the increase in wages, also has a remarkable impact on the operations of enterprises in Poland. In years 2017-2018, the dynamics of gross wages and salaries in private enterprises ranges from 5.6% to 7.0% and in 2019 it amounted to 6.5% (data from the Central Statistical Office). In the same period, inflation of consumer goods and services was recorded in Poland, which in 2019 amounted to 2.3% YoY.

Prices of food and non-alcoholic beverages in 2019 increased by 4.9% and prices of alcoholic beverages and tobacco products increased by 1.3% YoY.

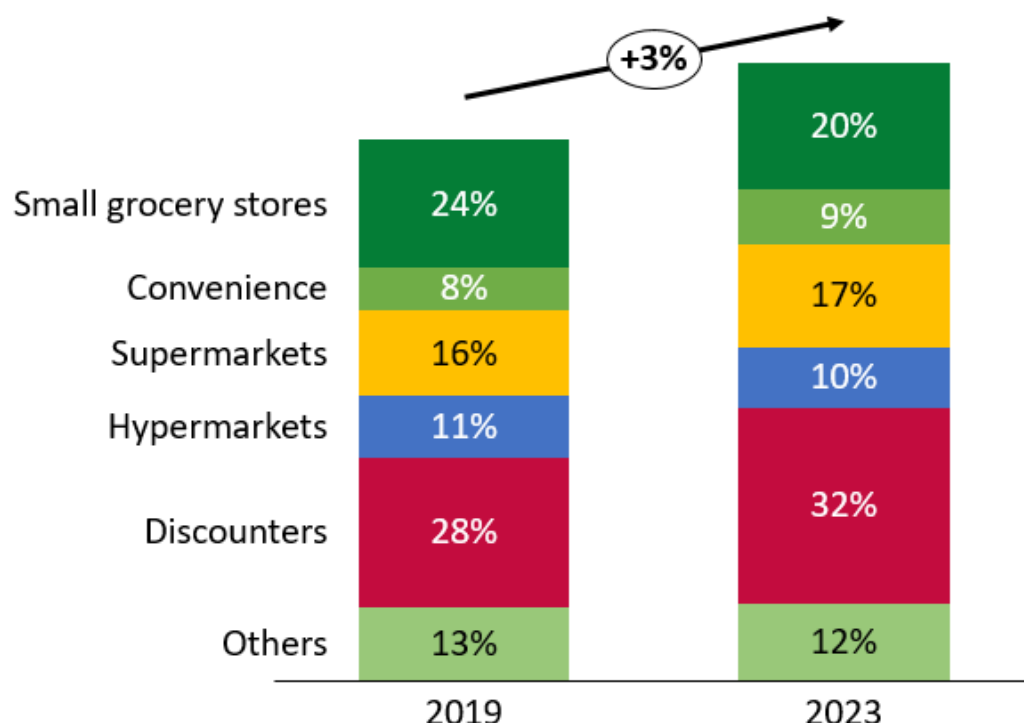
At the end of December 2019, the registered unemployment rate in the country improved comparing to the previous year and amounted to 5.2%.

### ***Polish FMCG market - general information***

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

According to the Nielsen, value of the FMCG market in 2019 in Poland increased by 5.1% in comparison with the 2018.

**Chart 3. Structure of the FMCG market in Poland**

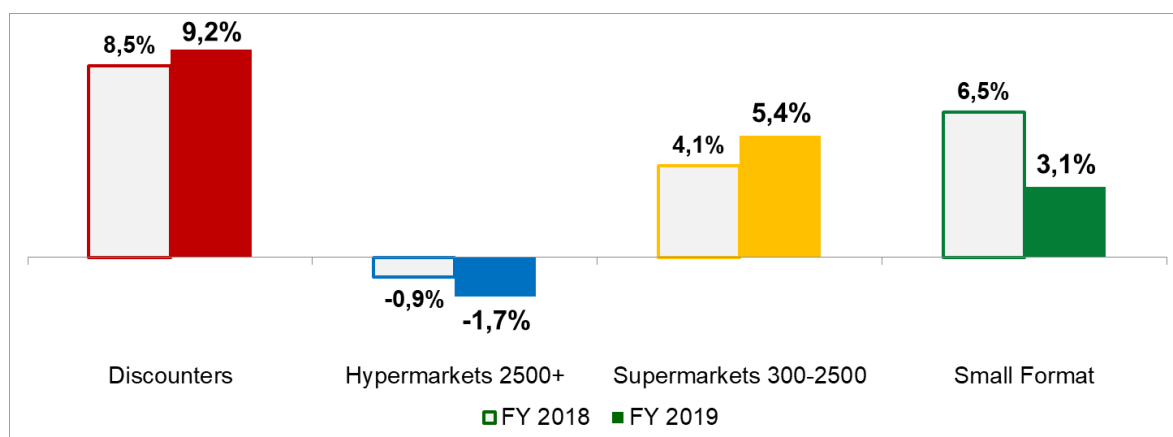


Source: Own estimates based on PMR data

The total value share of large-format stores has been changing in favor of discount chains for several years. This trend, according to the analyzes of the PMR agency, will persist. Currently, the share of discount stores is 27.7% and according to estimates, it will increase to 31.9% by 2023. Share of small grocery stores, convenience and others in 2019 amounted to 45.0% and will remain above 40% in the coming years.

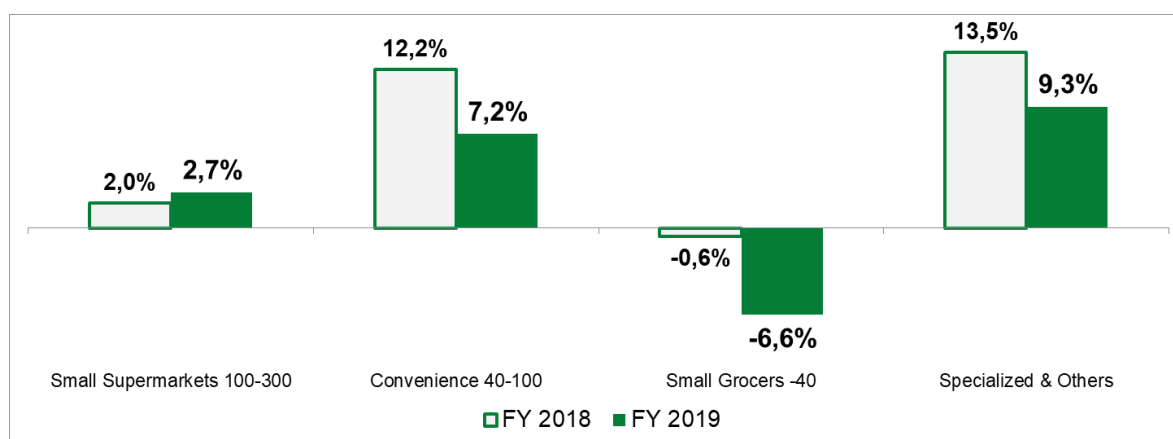
At the same time, the number of small-format stores decreased by 5.3%, reaching the level of approx. 86.6 thousand stores at the end of 2019 (large, medium and small grocery stores, sweet and alcohol, kiosks and petrol stations). Decrease in the number of small-format stores is mainly caused by the decrease in the number of smallest stores with an area of up to 40 sqm. However, the sale of stores that remain on the market is growing quite fast which translates into a 3.1% increase in sales of small format stores compared to last year. Sales dynamic per store is growing the fastest in the small-format stores. The sales of convenience stores (from 40 to 100 sqm) recorded a 7.2% YoY increase and specialized stores recorded an increase of 9.3% YoY, which is the largest growth recorded on the market. Small supermarkets with an area of 100-300 sqm increased by 2.7% YoY and stores below 40 sqm, despite the fact that their number decreased the fastest, noted a drop in sales of 6.6% YoY. Among large format stores, discounters recorded an increase in sales by 9.2% YoY, while large supermarkets sales increase amounted to 5.4% YoY. The hypermarket segment, again recorded a drop in sales, in 2019 by 1.7% YoY.

**Chart 4. Sales dynamics on the food market by distribution channels**



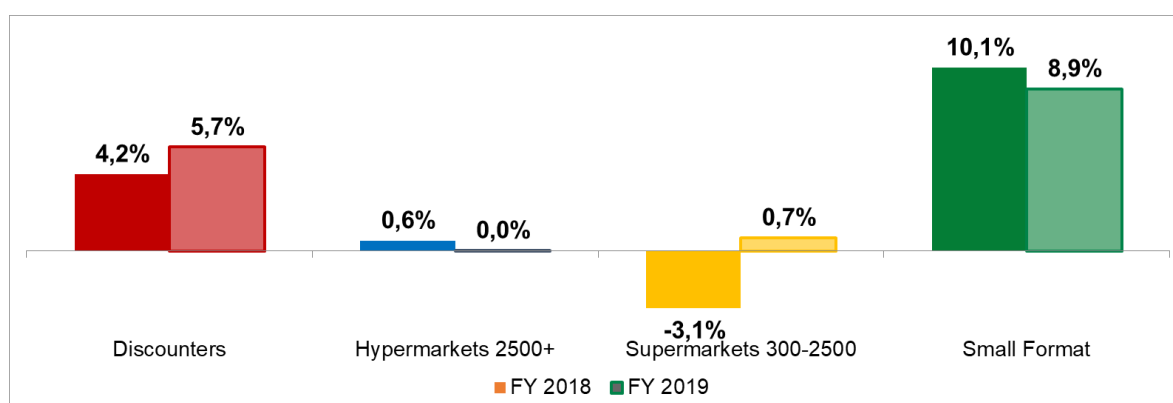
Source: Nielsen Retail Trade Panel, Value sales, period: January 2017 – December 2019, Food categories

**Chart 5. Sales dynamics on the food market in small-format stores**



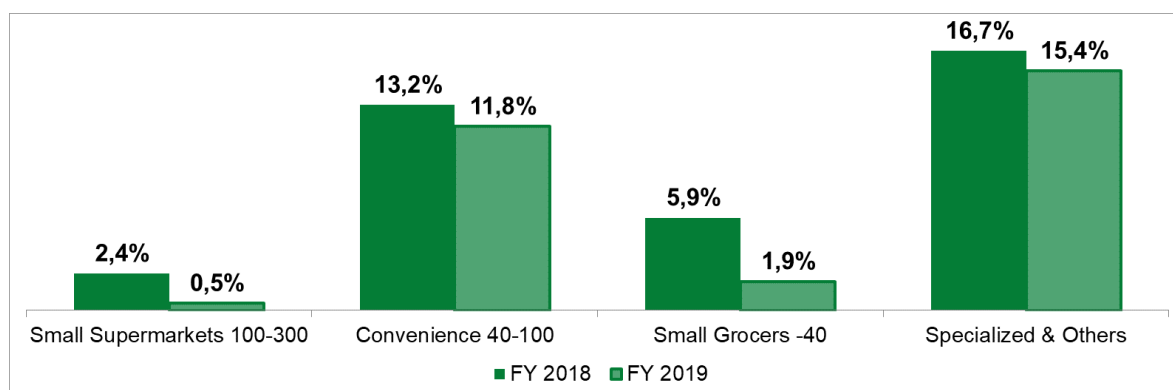
Source: Nielsen Retail Trade Panel, Value sales, period: January 2017 – December 2019, Food categories

**Chart 6. Sales dynamics per one store on the food market by distribution channels**



Source: Nielsen Retail Trade Panel, Value sales, period: January 2017 – December 2019, Food categories

**Chart 7. Sales dynamics per one store on the food market in small-format stores**



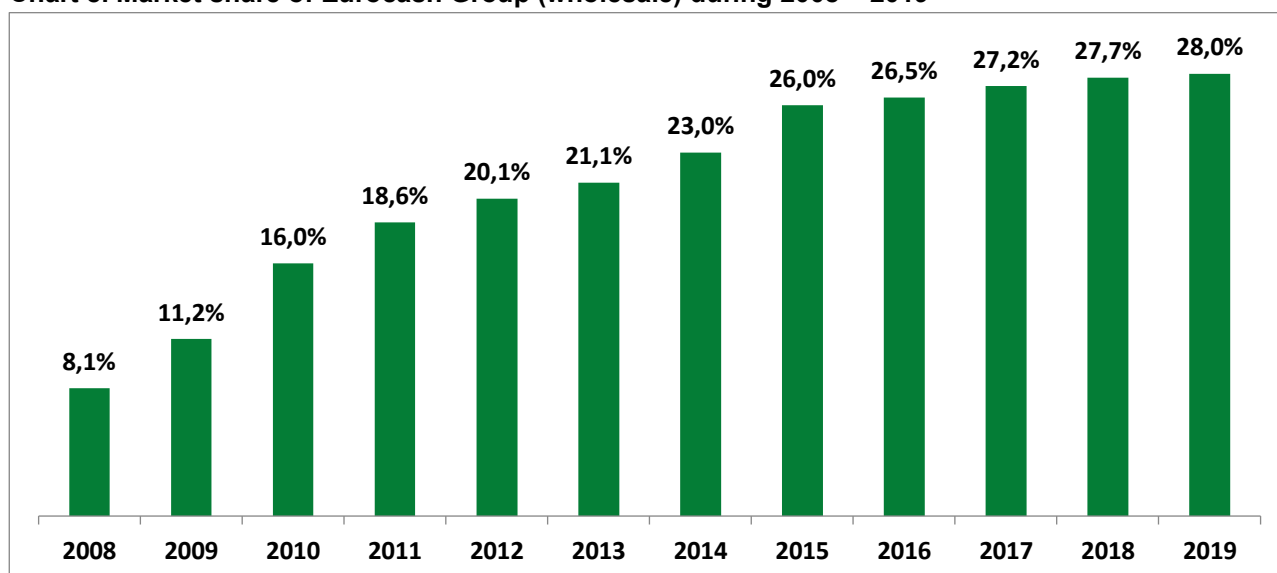
Source: Nielsen Retail Trade Panel, Value sales, period: January 2017 – December 2019, Food categories

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

Wholesale operations which are players in the FMCG distribution market primarily compete in supplying independent small supermarkets, traditional grocery stores, specialized grocery stores (butcher's, bakeries, confectionaries, fruit and vegetable stores, alcoholic beverages stores, and fishmonger's) and so called alternative distribution channels which include kiosks, retail outlets attached to petrol stations, as well as the HoReCa (hotels, restaurants, and catering outlets).

In 2019, Eurocash Group represented a 28.0% share in the wholesale market of FMCG products, which was a 0.3 p.p. increase from the previous year. Below is presented the evolution of Eurocash Group market share during last years.

**Chart 8. Market share of Eurocash Group (wholesale) during 2008 – 2019**



Source: Own estimates

### ***Trends on the Polish FMCG Market***

In the last decade, a gradual leveling off the market share was noted for both FMCG retail sales channels, i.e. the modern and the traditional channel. Currently, according to estimates released by Nielsen, large format stores (supermarkets, hypermarkets and discount stores) have market of approximately 60% of major retail channels whereas small format stores - approximately 40%<sup>1</sup>. According to Eurocash, there is no evidence that the role of traditional retail trade will continue to dramatically diminish in the coming years. This is supported by both external conditions (the demographic structure) as well as internal conditions (which mainly consist of consolidation and modernization mechanisms which facilitate effective competition with large format outlets.) Pooling grocery stores and small supermarkets into franchise networks - both traditional in nature (which are in fact a form of loyalty programs) as well as modern ones (which tie retailers strongly to their supplier) a manifestation of this trend. According to PMR estimates, the total number of retail outlets associated in networks was approximately 42.3 thousands (+7.1% YoY) in 2019.

After rapid consolidation of the FMCG wholesale distribution market has observed in years 1991-2001, the last decade saw a reduction in the number of wholesale businesses involved in the sales of FMCG products down to approximately 3 000 - 4 000 entities, which number remains stable.

### **2.2. Eurocash Group: Business Formats**

The Eurocash Group is the largest Polish company dealing in wholesale distribution of food products and marketing support for independent Polish entrepreneurs conducting retail operations. The franchise and partner networks supported by Eurocash associate over 16,000 independent stores operating under such brands as abc, Groszek, Delikatesy Centrum, Lewiatan, Euro Sklep or Gama.

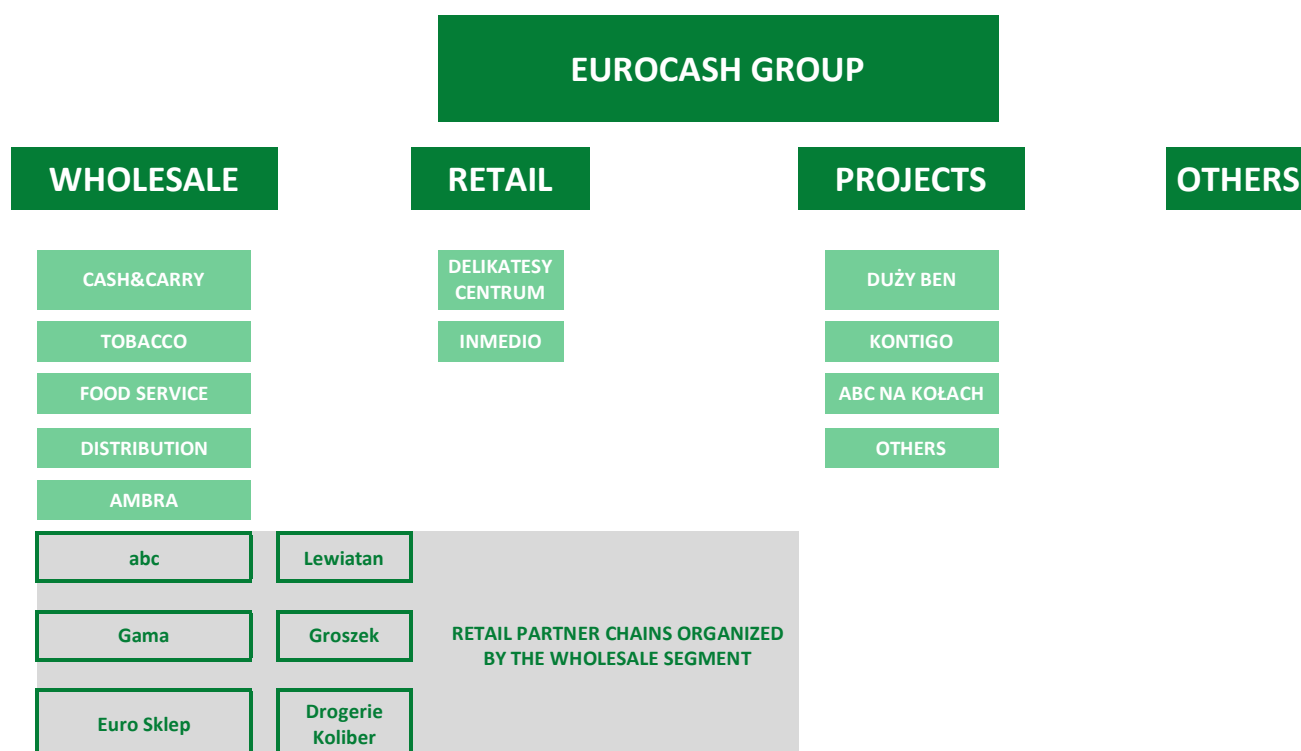
Through a range of distribution formats, the Eurocash Group focuses its business activities on the wholesale distribution to customers across all significant wholesale market segments, in particular, to small format stores throughout Poland such as traditional retail stores (small supermarkets and grocery stores), convenience stores at petrol stations, restaurants, hotels and cafeterias.

---

<sup>1</sup> Nielsen Retail Trade Panel, Value sales, period: January 2018 – December 2019, Food categories



**Chart 9. Eurocash Group: Focused on small format stores**



Source: Own study

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.

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 16
REPORT OF THE MANAGEMENT BOARD	

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

- **Delikatesy Centrum franchise stores** – a franchise system for retail stores operating under the brand "Delikatesy Centrum";
- **Own supermarkets, consisting of:**
  - Delikatesy Centrum own retail stores – own retail stores operating by companies that Eurocash hold 50% of shares: Firma Rogala Sp. z o.o., FHC-2 Sp. z o.o., Madas Sp. z o.o. and 100% of shares in Delikatesy Centrum Sklepy Sp. z o.o. and 75% of shares in Podlaskie Delikatesy Centrum Sp. z o.o.
  - EKO – own retail stores under brand Delikatesy Centrum, Lewiatan and EKO operated by EKO Holding S.A. in liquidity;
  - Mila & Others – own retail stores under brand Mila operated by Delikatesy Centrum Sp. z o.o. and under brand Lewiatan operated by Partner Sp. z o.o.;
- **Inmedio** – press retail kiosks under Inmedio and Inmedio Trendy brand.

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

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

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

## 2.3. Number of outlets

As at 31<sup>st</sup> December 2019, the Eurocash Group's wholesale trade network comprised 180 Cash&Carry warehouses, under which a network of "abc" partner stores was organized, which included 8 985 local grocery stores. In franchise and partner networks cooperating with Eurocash Dystrybucja, there were 5 133 stores associated.

The retail network included 1 565 small supermarkets, including 1 351 operating under the Delikatesy Centrum brand and 450 Inmedio press salons. The table below presents information on the number of Cash & Carry wholesalers, the number of small supermarkets, including Delikatesy Centrum, "abc" chain stores, Inmedio stores and stores associated under Eurocash Dystrybucja.

**Table 4: Number of Cash & Carry Warehouses, small supermarkets including Delikatesy Centrum stores, 'abc' network, Inmedio newsagents and franchise stores**

	As at 31 <sup>st</sup> December 2019	As at 31 <sup>st</sup> December 2018
Cash & Carry Warehouses	180	180
'abc' store network	8 985	8 708
Inmedio and Inmedio Trendy newsagents	450	448
Franchise and partner stores of Eurocash Distribution*	5 133	5 024
Small Supermarkets	1 565	1 539
<i>Incl. Delikatesy Centrum</i>	<i>1 351</i>	<i>1 328</i>

\*Groszek, Euro Sklep S.A., Lewiatan, PSD

Source: Eurocash

## 2.4. Sales Structure

Basic groceries (food and drinks – both alcoholic and non-alcoholic) represent key sales items for the Eurocash Group. In 2019, the share of these products accounted for approximately 68.6% of the total sales figure. The second most important sales contributor comprised of tobacco products, pre-paid top ups, and phone cards - with the share of 29.0% in 2019. The share of other non-food products (including cosmetics, household chemicals, OTC drugs and others) accounted for 2.4% in 2019.

## 2.5. Structure of the Eurocash Capital Group

Luis Amaral is the main shareholder of Eurocash (directly and indirectly through Politra B.V. s.a.r.l.), with the shareholding of 44.04% as at 31.12.2019. Luis Amaral serves as President of the Management Board. The parent company in the Group is Eurocash S.A., which realizes the majority of the Group's sales.

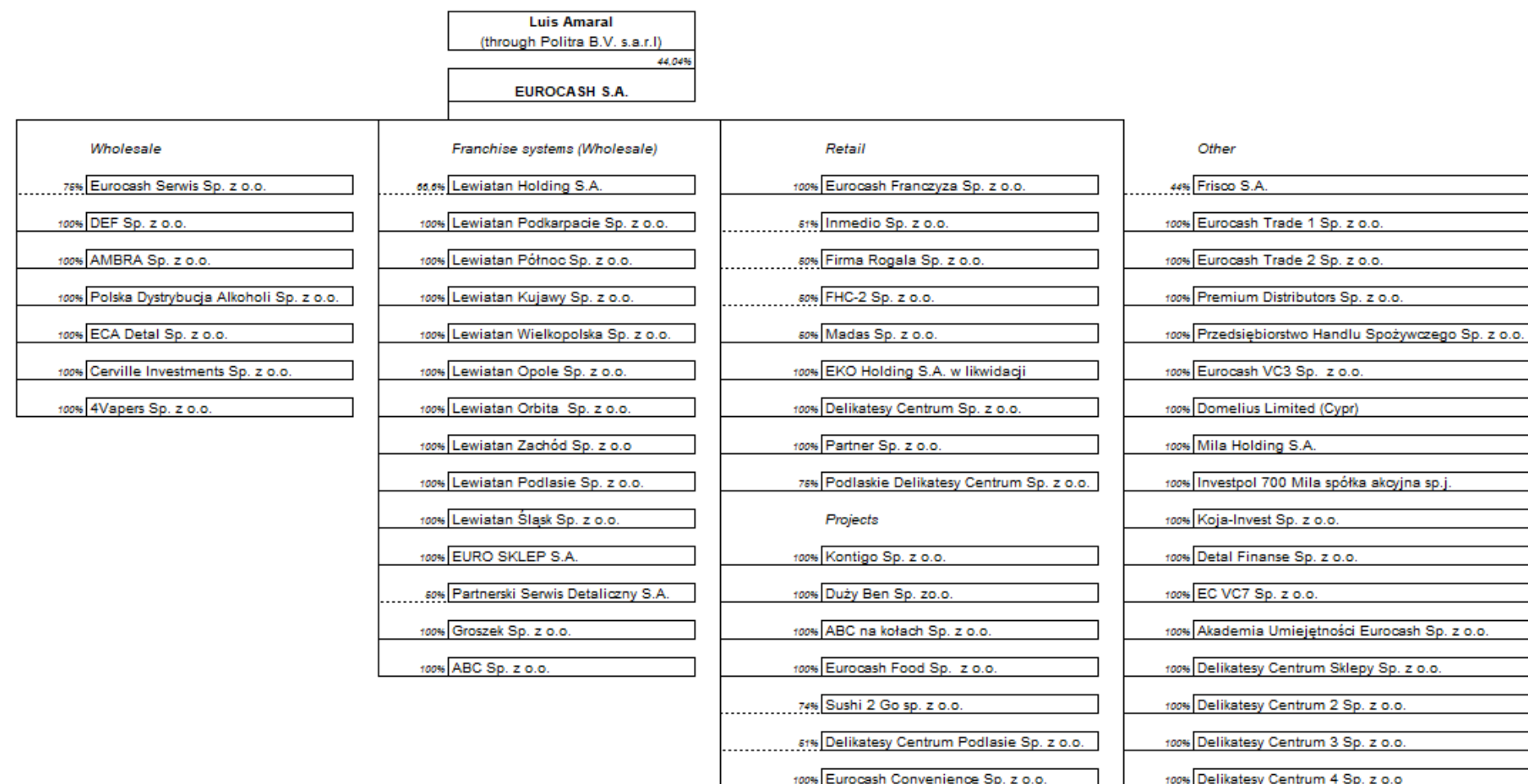
<b>EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019</b>	Page 18
<b>REPORT OF THE MANAGEMENT BOARD</b>	

As at 31<sup>st</sup> December 2019, Azvalor Asset Management S.G.I.I.C. S.A. together with the direct and indirect subsidiaries, held a total of 11 593 954 shares constituting 8.33% of the share capital of EUROCASH S.A. These shares entitled to 11 593 954 votes constituting 8.33% of the share in the total number of votes at the General Meeting of Eurocash S.A.

Detailed information on the Eurocash Group's organizational structure and a specification of entities under consolidation may be found in Supplementary Information to the consolidated financial statements.

The parent entity in the Group is Eurocash S.A., which performs most of the group's sales. The structure of the Eurocash Group and its affiliated companies as at 31<sup>st</sup> December 2019 is presented on the next page.

Chart 10. The structure of the Eurocash Group and its affiliated companies as at December 31<sup>st</sup> 2019:



### 3. EUROCASH DEVELOPMENT PROSPECTS

#### 3.1. Eurocash Development Strategy

The Management Board of the Eurocash Group, through its activities, aims to sustainably develop the operations of the Group and its clients. The primary goal of the Group is to ensure the competitiveness of independent retail stores in Poland and to offer added value to the Group's customers as well as to increase the value of the Group for its shareholders.

The Group implements its strategy through:

- satisfy the needs of the customers using a variety of distribution formats and forms of cooperation as well as by ensuring that customers receive an expected service quality,
- create a permanent competitive advantage for the Group through the effect of scale,
- systematic costs optimization and integration of operating systems of all business units operating within the Group.

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

In line with the current strategy, the Eurocash Group intends to create the largest supermarket chain in Poland based on its own and franchise stores. The source of expansion whose assumption is to create a chain of stores with 2400 outlets, will be the retail chain development in the franchise model, supported by subsequent acquisitions of local chains and building of greenfield stores (together with partners from the real estate sector). In this way, entrepreneurs from entire Poland will have access to a recognizable retail brand and to marketing tools at the cost level comparable to large format retail chains.

Eurocash Group's mission is to increase competitiveness of retail stores operated by independent entrepreneurs in Poland. Experiences developed in own retail stores will ultimately be transferred to all franchisees.

One of the tools made available to all Eurocash Group clients so far is the Eurocash Academy - an educational platform that gives independent entrepreneurs knowledge to which employees of large format competition do not have access. Another solution developed on the basis of the Delikatesy

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 21
REPORT OF THE MANAGEMENT BOARD	

Centrum chain is platform for fresh products distribution, which has been made available to franchisees and partners associated in chains cooperating with Eurocash Distribution format in 2019. Next tool, a Customer Relationship Management System based on the mechanisms developed at Delikatesy Centrum (Delikarta) will be available to all wholesale clients. Ultimately, the customers of Eurocash Group will be able to take advantage from solutions invented on Frisco.pl's experience (e-grocery store).

As part of its wholesale activities, the Eurocash Group will focus on the integration of each distribution format, sharing the best solutions developed by each of the format and taking group synergies. A healthy, reorganized wholesale business, generating strong cash flows from operating activities, will be the main source of financing the expansion of the retail segment. Further development of wholesale activities should be supported by the eurocash.pl platform, which gives the owners of independent retail stores the opportunity to indirectly reduce costs and, above all, better address the needs of consumers. In 2019 number of customers of eurocash.pl platform amounted to 12 thousands and they share in sales reached 85% of Eurocash Distribution format. Since September 2019, Eurocash Group develop additional platform marketplace.pl, which will allow customers to order thousands of additional and unique SKU.

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

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

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

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

The Company 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 Company's results.

##### *Inflation*

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

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 22
REPORT OF THE MANAGEMENT BOARD	

### *Labour costs*

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

## **Internal Factors**

### *Integration of acquired companies*

Due to the necessity of integrating acquired retail companies at the operational level, in the opinion of Eurocash S.A. Board full synergies associated with these transactions will be possible to reach within 3 years after the acquisition of control over these companies. All companies will be integrated within Delikatesy Centrum chain.

### *Development of Eurocash Retail segment<sup>2</sup>*

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

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

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

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

As a result of new organization and investments, Eurocash Retail segment operates 1 565 proximity supermarket stores.

<sup>2</sup> The final correctness of forward-looking statements depends on many known and unknown elements of threats and events, various unknowns and other factors that may cause actual results, outcomes or achievements, to differ from those predicted today.



EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 23
REPORT OF THE MANAGEMENT BOARD	

### *Investment in strategical growth projects*

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

### *Cost optimization program*

In 2019 further optimizations has been implemented including merger of Alcohol distribution with Eurocash Distribution and integration of retail businesses. Since 2020 retail segment works as one centralised business unit.

In addition to the information described in this report, there are no other significant factors that could affect the financial position of the Eurocash Company in the next year.

## **3.3. Risks and Threats**

Financial risks are discussed in Note 36 to the consolidated financial statements for 2019, which constitute a part of the Eurocash Company annual report. Other significant risk factors related to the operations of the Eurocash S.A. are presented below.

### ***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.

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

At the end of 2019, the small format channel was a significant form of FMCG retail distribution, representing the share of 39.6%<sup>3</sup>. Such a high share (against other European countries) results from a low concentration of population in a country as well as from poor housing conditions as small and medium-size shops located away from large conglomerates comprise the key customer group for Eurocash. Growth in the share of modern distribution, including expansion of Discounters with share of 35.7%<sup>4</sup> will shrink a prospective market for the Eurocash Group's business.

<sup>3</sup> Nielsen Retail Trade Panel, Value sales, period: January 2018 - December 2019, Food categories

<sup>4</sup> Ibidem

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 24
REPORT OF THE MANAGEMENT BOARD	

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

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

### **Internal Factors**

#### *IT systems*

An efficient, uniform IT system 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 Company.

#### *New investments*

The Eurocash Company wishes to be an active player in the process of market consolidation by way of acquiring FMCG warehouses. While taking over other enterprises, the Company 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 Company and geographically diverse sales, key suppliers of the Company are numerous and as at 31<sup>st</sup> December 2019 comprised 1 475 national and foreign entities.

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

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

### **Risk management system**

The Eurocash Company 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 Company's activities in relation to social, employment, environmental issues, respect for human rights and counteracting corruption.

The Company'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 Company 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 5: Risk management system**

Risk area	Risk examples	Elements of the risk management system - methods of monitoring and controlling
<b>Ethics and counteracting corruption</b>	<ul style="list-style-type: none"> <li>• Risk of corruption in relations with contractors</li> <li>• Risk of fraud against employees</li> <li>• Risk of fraud against contractors</li> </ul>	<ul style="list-style-type: none"> <li>• Eurocash Group's Code of Ethics</li> <li>• Eurocash Group values - clearly defined and communicated to employees</li> <li>• Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics</li> <li>• Anti-mobbing policy</li> <li>• Training for employees on Eurocash Group values and ethics rules</li> <li>• Instructions for accepting gifts from contractors (giving gifts for charity)</li> </ul>

<b>Human resources/workplace</b>	<ul style="list-style-type: none"> <li>• Risk of losing employees</li> <li>• Risk of non-compliance with labor law by employees</li> <li>• Risk of low employee involvement</li> <li>• Risk of mobbing and other abuses towards employees</li> <li>• Risk of unfair assessment of employees' professional development</li> <li>• Risk of lack of professional development opportunities for employees</li> <li>• Risk of low employee satisfaction with work</li> </ul>	<ul style="list-style-type: none"> <li>• Procedures and instructions regulating the workplace, including work regulations, remuneration and employee bonuses regulations</li> <li>• Activities and agreements with trade unions</li> <li>• Established and uniform rules for the use of the Social Benefits Fund</li> <li>• Ensuring compliance with labor law by training for management and continuous monitoring of working time records</li> <li>• Procedures and instructions for hiring new employees</li> <li>• Benefits system for employees (private medical care, co-financing for sports activities)</li> <li>• Co-financing of education for employees</li> <li>• Cyclical survey of employees' opinions</li> <li>• Eurocash Group values - clearly defined and communicated to employees</li> <li>• Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics</li> <li>• Work results management system</li> <li>• Annual employee development assessments</li> <li>• Talent development programs (Management Trainee and Sales &amp; Operational Trainee)</li> <li>• E-learning platform with numerous employee trainings</li> <li>• External training according to the needs of given roles / functions / departments</li> <li>• Anti-mobbing policy</li> <li>• Activity in social media</li> </ul>
<b>Employees' health and safety</b>	<ul style="list-style-type: none"> <li>• Risk of accidents at work</li> <li>• Risk of fire and other accidents that may endanger the life and health of employees</li> <li>• The risk of access to unauthorized facilities that may endanger the safety of employees</li> <li>• Risk of assault on employees in the field and branches</li> <li>• Risk of occupational diseases (work at the computer, work in a warehouse, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Internal health and safety procedures and instructions</li> <li>• Systematic checks on compliance with health and safety procedures and instructions</li> <li>• Health and safety training for employees</li> <li>• Systematic training on emergency actions (e.g. fire evacuations in case of fires, etc.)</li> <li>• Devices and means ensuring safety in crisis situations (fire, evacuation, etc.)</li> <li>• Providing AED (defibrillator) devices in the Group's facilities with a large number of employees</li> <li>• Protection against access by third parties and protection of objects</li> <li>• Ensuring the physical protection of employees and facilities</li> <li>• Systematic training in first aid</li> <li>• A program to increase driving safety</li> <li>• Co-financing for sport activities and private medical care</li> <li>• Functioning of sports clubs enabling integration and recreation of employees</li> </ul>

<b>Food Quality and Safety</b>	<ul style="list-style-type: none"> <li>• Risk of marketing food that is not tested, of dubious quality or does not meet legal standards</li> <li>• The risk of food being placed on the market after the expiration date</li> <li>• Risk of breaking the cold chain for fresh products</li> <li>• Risk of inadequate storage and transport of food products</li> <li>• Risk of inadequate disposal of overdue, defective or damaged products</li> <li>• Risk of non-compliance with sanitary requirements</li> </ul>	<ul style="list-style-type: none"> <li>• The implemented HACCP food safety program</li> <li>• IFS, BRC, ISO 22000 certifications and audits conducted by external entities in relation to the EC Group</li> <li>• Internal analysis and quality audits in distribution centers and branches</li> <li>• A dedicated team of food quality controllers covering geographically all regions of activity</li> <li>• OWDP (General Terms of Supply of Products) regulating cooperation with suppliers in the field of quality and food transport</li> <li>• In the case of own brand products - systematic audits at manufacturers' factories</li> <li>• Complaint process regarding both returns from customers and suppliers</li> </ul>
<b>Social and business environment</b>	<ul style="list-style-type: none"> <li>• Risk of stopping the development of entrepreneurship</li> <li>• Risk of stopping the development of local communities due to the lack of local entrepreneurship development</li> <li>• Risk of cessation of activity by local entrepreneurs (due to, for example, strong competition)</li> <li>• Risk of failure to comply with legal provisions</li> <li>• Risk of unauthorized/unlawful disclosure of personal information</li> <li>• Risk of selling alcohol for resale to recipients without valid alcohol concessions</li> <li>• Risk of cooperation with counterparties unreliable in the tax context</li> <li>• Risk of unfair business practices applied by the Group's employees</li> </ul>	<ul style="list-style-type: none"> <li>• Entrepreneurship Academy (training, post-graduate studies for clients and franchisees, etc.)</li> <li>• Innovative business tools - eurocash.pl platform</li> <li>• Offering various business cooperation solutions (several franchise networks, new concepts of retail stores, etc.)</li> <li>• Applying good business practices</li> <li>• Support for equal treatment of entrepreneurs by producers ("Equals in business")</li> <li>• Satisfaction surveys of clients/entrepreneurs from cooperation with the Eurocash Group</li> <li>• Dedicated Compliance function in the EC Group (compliance with legal regulations)</li> <li>• Dedicated functions related to sustainable development and documents defining the Group's priorities in the field of CSR</li> <li>• Dedicated function to meet the requirements of GDPR - a separate team, procedures and instructions (in accordance with the requirements of the Act)</li> <li>• On-going and systematic monitoring of legal regulations and adaptation of activities to their requirements</li> <li>• Continuous monitoring and verification of the possession of valid alcohol licenses at recipients to whom such goods are sold for resale</li> <li>• The ban on trading on non-commercial Sundays</li> <li>• Verification of contractors' credibility</li> <li>• Cooperation regulated by contracts with producers and suppliers</li> <li>• Cooperation with the Large 3+Family Union</li> <li>• Employees' participation in charitable initiatives, e.g. charitable events, collections and actions for those in need</li> </ul>

<b>Natural environment</b>	<ul style="list-style-type: none"> <li>• Risk of contamination or poisoning of the environment</li> <li>• Risk of excessive CO2 emissions</li> <li>• Risk of uncontrolled energy consumption in buildings and the transport fleet</li> <li>• Risk of generating waste unfavorable to the environment</li> <li>• Risk of a significant amount of waste (e.g. damage, food processing)</li> <li>• Risk of improper waste and secondary raw materials segregation</li> </ul>	<ul style="list-style-type: none"> <li>• Energy efficiency audits</li> <li>• Introduction of a fleet of hybrid cars</li> <li>• Introduction of the eco-driving program</li> <li>• Monitoring fuel consumption, driving style and emissions</li> <li>• Continuous improvement of the efficiency of the logistics chain</li> <li>• Continuous optimization of loss management in logistics</li> <li>• Cooperation with food banks</li> <li>• Waste segregation and management of recyclable materials</li> </ul>
----------------------------	---	--

### 3.4. Note on seasonality

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

#### 4. MANAGEMENT DISCUSSION OF EUROCASH FINANCIAL PERFORMANCE FOR 2019

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

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

Accounting policy used to prepare financial statement was presented in a point 2 of additional information to the consolidated financial statement of Eurocash Company for the FY2019 and was applied to all periods presented in the financial statement.

##### 4.2. Profit and Loss Account

###### Profitability Analysis

**Table 6: Eurocash: Summary of 2019 Financial Performance**

PLN m	2019	2019 before IFRS16	2018	Change % (before IFRS16)
Sales revenues (traded goods, materials)	15 199.59	15 199.59	14 775.94	2.87%
Gross profit (loss) on sales	1 801.77	1 801.77	1 749.58	2.98%
Gross profitability on sales (%)	11.85%	11.85%	11.84%	0.01 p.p.
EBITDA	501.01	323.57	294.40	9.91%
(EBITDA margin %)	3.30%	2.13%	1.99%	0.14 p.p.
EBIT	216.63	199.47	178.66	11.65%
(EBIT margin %)	1.43%	1.31%	1.21%	0.10 p.p.
Gross profit	207.88	220.03	194.01	13.41%
Net Income	174.61	184.46	149.62	23.28%
(Net profitability %)	1.15%	1.21%	1.01%	0.20 p.p.

**Table 7: Eurocash: Normalized 2019 Financial Performance (before IFRS16)**

PLN m	2019	2018	Change %
<b>One-off items</b>	<b>22.75</b>	<b>33.20</b>	
PayUp disposal	22.75*	63.21	
Provision on restructuring costs	0.00	-27.00	
Costs of Mila process	0.00	-3.01	
EBITDA normalized**	<b>300.82</b>	<b>261.20</b>	<b>15.17%</b>
(Normalized EBITDA margin %)	1.98%	1.77%	0.21 p.p.
EBIT normalized**	<b>176.72</b>	<b>145.46</b>	<b>21.49%</b>
(Normalized EBIT margin %)	1.16%	0.98%	0.18 p.p.
Net profit normalized**	<b>161.71</b>	<b>116.42</b>	<b>38.90%</b>
(Normalized net profitability %)	1.06%	0.79%	0.28 p.p.

\*bonus on meeting the terms of the contract with PEP

\*\*excluding impact of the one-offs

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 30
REPORT OF THE MANAGEMENT BOARD	

Sales of Eurocash S.A. in 2019 reached PLN 15 199.59 m. Gross margin on sales realized by Eurocash S.A. in 2019 increased by 0.01 p.p. YoY and amounted to 11.85%. In 2019 EBITDA amounted to PLN 501.01 m. In 2019, EBITDA before IFRS16 amounted to PLN 323.57 m and increased by 9.91%. The growth of EBITDA was attributable to better performance of Wholesale segment. Other impact was one-offs in 2018 which amounted to PLN 33.20 m: sales of PayUp PLN 63.21 m, provision on restructuring costs PLN -27.00 m and costs of Mila reorganization process PLN -3.01 m.

The net profit in 2019 amounted to PLN 174.61 m. Net profit in 2019 before IFRS16 amounted to PLN 184.46 m and increased by 23.28%. Increase of net profit was attributable to higher dividends from daughter companies in 2019 in comparison with 2018.

EBITDA normalized in 2019 amounted to PLN 300.82 m compared with PLN 261.20 m previous year which means an increase of 15.17%. In 2019 there was one-offs regarding additional earn out from agreement with PEP in connection with fulfilling the terms of the deal of PayUp sales in amount of PLN 22.75 m. EBITDA increase was primarily related to the improvement of the wholesale segment's financial results, which were partially off-set by the results of the retail segment being in the process of reorganization and integration.



#### 4.3. Balance Sheet Data

##### **Balance Sheet Mix**

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

**Table 8: Eurocash: Mix of Assets**

PLN m	31.12.2019	%	31.12.2018	%
<b>Fixed assets (long-term)</b>	<b>4 549.57</b>	<b>68.93%</b>	<b>3 222.63</b>	<b>60.18%</b>
Goodwill	1 133.82	24.92%	862.82	26.77%
Other intangible fixed assets	605.00	13.30%	523.06	16.23%
Tangible fixed assets	448.96	9.87%	447.77	13.89%
Perpetual use	931.61	20.48%	-	0.00%
Investment in properties	0.94	0.02%	0.96	0.03%
Investments in subsidiary companies	1 371.61	30.15%	1 291.45	40.07%
Investments in associated companies - equity method	42.79	0.94%	40.59	1.26%
Other long-term financial assets	6.67	0.15%	45.93	1.43%
Long-term receivables	6.94	0.15%	9.30	0.29%
Long-term prepayments	1.24	0.03%	0.76	0.02%
<b>Current assets (short-term)</b>	<b>2 050.89</b>	<b>31.07%</b>	<b>2 132.31</b>	<b>39.82%</b>
Inventories	806.02	39.30%	851.06	39.91%
Trade receivables	1 122.07	54.71%	1 083.19	50.80%
Current income tax receivables	-	0.00%	-	0.00%
Other short-term receivables	31.85	1.55%	66.79	3.13%
Short-term financial assets held for trade	-	0.00%	-	0.00%
Other short-term financial assets	33.73	1.64%	3.41	0.40%
Short-term prepayments	30.98	1.51%	98.09	4.60%
Cash and cash equivalents	26.23	1.28%	29.77	1.40%
<b>Fixed assets classified as held for sale</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>
<b>Total assets</b>	<b>6 600.47</b>	<b>100.00%</b>	<b>5 354.94</b>	<b>100.00%</b>

**Table 9: Eurocash: Mix of Liabilities**

PLN m	31.12.2019	%	31.12.2018	%
<b>Equity</b>	<b>1 084.10</b>	<b>16.42%</b>	<b>1 050.87</b>	<b>19.62%</b>
Share capital	139.16	12.84%	139.16	13.24%
Treasury shares	-	0.00%	-	0.00%
Supplementary capital	696.54	64.25%	680.20	64.73%
Hedging reserve	-	0.00%	-	0.00%
Capital connection	-	0.00%	-	0.00%
Hedge transactions valuation capital	(5.33)	-0.49%	(7.64)	-0.73%
Option for purchase/selling the shares	-	0.00%	-	0.00%
Retained earnings	253.72	23.40%	239.14	22.76%
<b>Long-term liabilities</b>	<b>828.31</b>	<b>15.02%</b>	<b>74.39</b>	<b>1.73%</b>
Long-term loans and credits	-	0.00%	-	0.00%
Other long-term financial liabilities	0.04	0.00%	0.28	0.38%
Long-term lease liabilities	799.21	96.49%	-	0.00%
Other long-term liabilities	1.32	3437.43%	1.06	1.43%
Deferred income tax provision	24.00	2.90%	69.77	93.78%
Provision for employee benefits	3.74	0.45%	3.28	4.41%
Other long-term provisions	-	0.00%	-	0.00%
<b>Short-term liabilities</b>	<b>4 688.06</b>	<b>84.98%</b>	<b>4 229.68</b>	<b>98.27%</b>
Short-term loans and credits	1 387.44	29.60%	1 014.43	23.98%
Other short-term financial liabilities	21.11	0.45%	28.88	0.68%
Short-term lease liabilities	148.26	3.16%	-	0.00%
Trade liabilities	2 870.98	61.24%	2 887.36	68.26%
Current income tax liabilities	10.97	0.23%	40.24	0.95%
Other short-term liabilities	48.89	1.04%	49.42	1.17%
Provision for employee benefits	85.03	1.81%	68.63	1.62%
Other short-term provisions	115.38	2.46%	140.72	3.33%
<b>Liabilities</b>	<b>5 516.37</b>	<b>83.58%</b>	<b>4 304.07</b>	<b>80.38%</b>
<b>Total liabilities</b>	<b>6 600.47</b>	<b>100.00%</b>	<b>5 354.94</b>	<b>100.00%</b>

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

#### ***Loan agreements***

Information on credit agreements concluded by the Group Eurocash is presented in Note 22 to the consolidated financial statements for 2019.

#### ***Loans granted***

In 2019, Eurocash Group Companies did not grant any loans in the total value equivalent to 10% of the issuer's equity.

### *Sureties and guarantees*

Sureties and guaranties issued by the Eurocash Group companies are presented in Note 34 to the consolidated financial statements for 2019.

### **Issue of Securities and Bonds in 2019**

#### *Issue of shares*

In the period between 1<sup>st</sup> January 2019 and 31<sup>st</sup> December 2019 no shares were issued

#### *Issue of securities and bonds*

As at December 31<sup>st</sup>, 2019, the total value of bonds issued by Eurocash was PLN 0.00.

## **4.4. Key Off-balance Sheet Items**

Information on key off-balance sheet items for the Eurocash Group is provided in supplementary information to the annual consolidated financial statements, i.e. Note 34 and 35.

## **4.5. Eurocash Cash Flow Analysis**

### **Cash flow Statement**

**Table 10: Eurocash: Cash flows for 2019**

	PLN m	2019	2019 before IFRS16	2018
Operating cash flow		454.58	277.22	318.75
<i>Gross profit (loss)</i>		207.88	220.03	194.01
<i>Depreciation</i>		284.37	124.10	115.74
<i>Change in working capital</i>		11.87	11.87	19.46
<i>Other</i>		(49.55)	(78.78)	(10.46)
Cash flow from investments		(544.78)	(544.78)	(309.28)
Cash flow from financing activities		23.08	200.43	(27.06)
Total cash flow		(67.12)	(67.12)	(17.59)

Total cash flow in 2019 amounted to PLN -67.12 m, while the operating cash flow reached PLN 454.58 m. Cash flow from investments amounted to PLN -544.78 m and cash flow from financing activities amounted in 2019 to PLN 23.08 m.

Total cash flow before IFRS16 in 2019 amounted to PLN -67.12 m, while the operating cash flow reached PLN 277.22 m. Cash flow from investments amounted to PLN -544.78 m and cash flow from financing activities amounted in 2019 to PLN 200.43 m.

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 rotation***

**Table 11: Eurocash: Working Capital Ratios for 2019**

Turnover in days	2019	2019 before IFRS16	2018
1. Inventories turnover	19.36	19.36	21.02
2. Trade receivables turnover	26.95	26.95	26.76
3. Trade liabilities turnover	(78.21)	(78.21)	(80.90)
4. Operating cycle (1+2)	46.30	46.30	47.78
5. Cash conversion (4+3)	(31.91)	(31.91)	(33.12)

In 2019 cash conversion changed by 1.21 days comparing with 2018.

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

The Eurocash Group generates positive cash flows from operations. All key investments carried out in 2019 were financed from own funds and credit facilities taken up.

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

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

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

Analysis of these risk factors is presented in Note 36 in the part of the report which contains consolidated financial statements.

## 4.6. Investment Activity

### Major Investments Completed in 2019

In 2019, the total investment outlays amounted to PLN 274.20 m, which means a decrease by 39,0% compared to 2018.

**Table 12: Eurocash: Investment of Eurocash in 2019**

<i>PLN m</i>	<b>2019</b>	<b>2018</b>
<b>Total investment outlays</b>	<b>274.20</b>	<b>449.36</b>

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

Key investments planned for 2020 are related to:

- Organic growth within the current structure of business units, and in particular:
  - Development of Delikatesy Centrum franchise,
  - Investment in innovative sales systems for franchisees,
  - Progressive integration of logistics within the Company,
  - Further development of Duży Ben, Kontigo, abc on wheels
- Replacement investment,
- Acquisition of Frisco S.A. costs PLN 130 m,
- Updated strategy until 2023 which assumes bigger investments in Retail.

In order to finance the aforementioned investments, the Eurocash intends to use funds generated by the Company and additional external financing like credit facilities. In the opinion of the Eurocash Management Board, the Company has adequate credit repayment capacity to secure financing for such prospective investments.

## 4.7. Key Contributors to 2019 Financial Performance of Eurocash S.A.

### ***Equity Changes***

In the period between 1<sup>st</sup> January 2019 and 31<sup>st</sup> December 2019, no shares were issued

### **Dividend Payment**

In accordance with Resolution No. 5 adopted by the Annual General Meeting on 9<sup>th</sup> May 2019, persons who were shareholders of the Company on 29<sup>th</sup> May 2019, received on 19<sup>th</sup> June 2019 a dividend of PLN 1.00 per one Company share. The total dividend paid amounted to PLN 139 163 286.4

Management Board of Eurocash S.A. plan to recommend dividend payment in accordance with politics of its payment from previous years.

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 36
REPORT OF THE MANAGEMENT BOARD	

## 5. ADDITIONAL INFORMATION

### 5.1. Information on Court Proceedings

In 2019, the Eurocash S.A. companies were not involved in any legal proceedings before court, a relevant arbitration authority, or a public administration body, the total value of which would represent at least 10% of issuer's equity.

### 5.2. Information on Significant Agreements

In 2019, the Eurocash Group companies entered into the following agreements considered significant for the Group's business operations:

*Conclusion of a preliminary agreement regarding the acquisition of 55.6% shares in Frisco S.A.*

On 23<sup>th</sup> December 2019, between Eurocash S.A. and funds from the MCI Group - TV 1 Holding sp. z o.o., Helix Ventures Partners FIZ and MCI.PrivateVentures FIZ (acting on account MCI.Tech Ventures 1.0 subfund) a share sale agreement was concluded, regarding the acquisition by Eurocash S.A. of approx. 55.6% of shares in Frisco S.A. The closing of the Transaction is planned not later than by 30.06.2020. The estimated value of the Transaction will be approx. PLN 130 million.

As at the date of the Sale Agreement, Eurocash holds approximately 44% of Frisco S.A. shares and as a result of Transactions and after the expected repurchase of shares from other minority shareholders Frisco S.A., Eurocash will own 100% shares of Frisco S.A.

Frisco S.A. runs the online supermarket frisco.pl. Frisco S.A. revenues in 2018 were over PLN 96 m, and the value of Frisco's revenues in 2019 was PLN 120 m.

In the opinion of the Management Board of Eurocash, the investment in Frisco S.A. is another element of implementing the development strategy focused on supporting independent trade in Poland through the development of innovative retail formats and technology solutions.

*Agreement with suppliers exceeding 10% of total sales revenues*

In 2019, there was no supplier with a share in total sales revenues of Eurocash S.A. exceeding 10%.

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

In the 2019 companies belonging to Eurocash S.A. did not grant any credit or loan guarantees and did not grant any warranties, the total value of which is equivalent to 10% of Eurocash equity.

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 37
REPORT OF THE MANAGEMENT BOARD	

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

In the 2019 companies belonging to Eurocash S.A. did not execute other transactions with related parties otherwise than in the ordinary course of business on an arm's length basis.

#### **5.5. Forecasts Publication**

The Management Board of Eurocash S.A. did not publish financial forecasts for 2019 or 2020.

#### **5.6. Changes in Key Management Principles**

##### *Appointment of Members of the Supervisory Board*

On 9<sup>th</sup> May 2019, The Management Board of Eurocash S.A. (the "Company") announces that due to the termination of terms of office of the members of the Supervisory Board, Politra B.V. s.a.r.l. (legal successor of Politra B.V.), being the holder of 43.55% of the shares in the share capital of the Company, informed the Management Board, that in exercise of its statutory right set forth in § 13 Sec. 2 of the Company Statute, on 9<sup>th</sup> May 2019 it appointed Mr. Francisco José Valente Hipólito dos Santos, Jorge Mora and Renato Arie to the Supervisory Board for the subsequent term of office. Also on 9<sup>th</sup> May 2019, the Annual General Meeting, in exercise of its statutory right set forth in §13 Sec. 3 of the Company Statute, appointed Mr. Hans Joachim Körber and Ewald Raben to the Supervisory Board for the subsequent term of office.

##### *Appointment of Member of the Management Board*

On 18<sup>th</sup> December 2019 Supervisory Board of Eurocash has adopted a resolution on appointment, with the effect as of 1<sup>st</sup> January 2020, of Mr. Noel Collett to the Management Board of the Company. Mr. Noel Collett has been appointed as the member of the Management Board responsible for retail business in Eurocash Group.

In 2019 there were no other major changes in the basic management principles.

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

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

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

### 5.8. Information on Registered Audit Company

The separate financial statements of Eurocash S.A. for 2019 were audited by Ernst & Young Audyt Polska sp. z o.o. sp. k. on the basis of a contract concluded on 9<sup>th</sup> May 2019.

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

**Table 13: Eurocash: Capital expenditures for audit and review of financial statements**

thousands of PLN	2019	2018
Audit of financial statements	480.0	500.0
Review of financial statements	270.0	251.0
Other services	0.0	1.2
<b>Total capital expenditures</b>	<b>750.0</b>	<b>752.2</b>



## 6. STATEMENT ON CORPORATE GOVERNANCE RULES

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

Pursuant to § 29 Sec. 2 of the Warsaw Stock Exchange S.A. Rules in the wording adopted by virtue of the Stock Exchange Council Resolution No. 1/1110/2006 dated January 4, 2006, with further amendments, Eurocash S.A. (hereinafter, the “Company”, “Issuer”, “Eurocash”) is obliged to apply the corporate governance rules set down in the document entitled “Good Practices of Companies Listed on the WSE 2016”, which constituting an attachment to the Resolution No. 26/1413/2015 of the Stock Exchange Council dated 13<sup>th</sup> October 2015 (hereinafter referred to as “Good Practices”), available on the following website <https://www.gpw.pl/best-practice>.

In the financial year ended on December 31<sup>st</sup>, 2019, the Company complied with the corporate governance principles set out in the document "Good Practices for Companies listed on WSE 2016" in accordance with the statement posted on the website:

<https://grupaeurocash.pl/en/investor/corporate-information/corporate-governance>

### 6.2. Shareholders structure

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

As at 31<sup>st</sup> December 2019 the structure of shareholders holding directly or indirectly large blocks of shares in Eurocash S.A. was as below.

**Table 14: Shareholders with Direct or Indirect Substantial Shareholding in Eurocash**

	31.12.2019				13.12.2018			
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%
Azvalor Asset Management S.G.I.I.C. S.A.	11 593 954	8.33%	11 593 954	8.33%	13 605 690	9.78%	13 605 690	9.78%
Others	66 281 554	47.63%	66 281 554	47.63%	64 269 818	46.18%	64 269 818	46.18%
<b>Total</b>	<b>139 163 286</b>	<b>100.00%</b>	<b>139 163 286</b>	<b>100.00%</b>	<b>139 163 286</b>	<b>100.00%</b>	<b>139 163 286</b>	<b>100.00%</b>

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

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

The number of company shares held by the management and supervisory members as at 31.12.2019 was as follows:

**Table 15: Shares in the company held by members of the management board and their rights to subscription**

	Eurocash shareholding		Share subscription rights	
<b>Management Board</b>	31.12.2019	31.12.2018	31.12.2019	31.12.2018
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	875 803	875 803	0	0
Jacek Owczarek*	70 750	70 750	0	0
Przemysław Ciał	1 000	1 000	0	0

\*indirectly through persons closely related

**Table 16: Shares in the company held by supervisory board and rights to subscription**

	Eurocash shareholding		Share subscription rights	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Hans Joachim Körber	0	0	0	0
Jorge Mora	121 500	Not applicable	0	Not applicable
Renato Arie	0	Not applicable	0	Not applicable
Francisco José Valente Hipólito dos Santos	0	0	0	0
Ewald Raben	0	Not applicable	0	Not applicable

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

No securities which would grant special control rights neither preferential share are noted in the Company. However, the Articles of Association of the Company grant personal rights to a specific shareholder. Pursuant to § 13 Sec. 2 of the Articles of Association, should Politra B.V., organized and operating under Dutch law, or any of its legal successor, continues to be a shareholder with 30% or more shareholding in the Company's share capital, it will have the right to appoint and recall 3 (three) Members of the Supervisory Board of Eurocash.

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

Each share of Eurocash gives the right to one vote at the Shareholders' Meeting. The Articles of Association do not provide for any restrictions as to exercising the right to vote carried by Eurocash

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 41
REPORT OF THE MANAGEMENT BOARD	

shares, such as restrictions to exercising the right to vote by the holders of a defined part or number of votes, time restrictions related to exercising the right to vote or provisions pursuant to which (with the Company's cooperation) capital interests related to securities are separated from holding securities.

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

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

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

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

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

## **6.3. Diversity in the workplace**

Everyone can take a job in the Eurocash Group regardless of age, gender, national and ethnic origin, race, religion, disability, sexual orientation or political views. The Group does not tolerate any activities and behaviors that have any signs of discrimination against another employee, contractor or third party.

## **6.4. The parent's governing bodies**

### ***Management Board***

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

The Company's management body is the Management Board. The Management Board of the Parent was composed of seven members in 2019. The composition of the Management Board at the day of December 31<sup>st</sup> 2019 is presented on the next page.

**Table 17: The composition of the Management Board in 2019**

Name	Position
Luis Manuel Conceicao do Amaral	President of the Management Board
Rui Amaral	Member of the Management Board
Arnaldo Guerreiro	Member of the Management Board
Pedro Martinho	Member of the Management Board
Katarzyna Kopaczewska	Member of the Management Board Human Resources Director
Jacek Owczarek	Member of the Management Board Financial Director
Przemysław Ciaś	Member of the Management Board

On 18<sup>th</sup> December 2019 Supervisory Board of Eurocash has adopted a resolution on appointment, with the effect as of 1<sup>st</sup> January 2020, of Mr. Noel Collett to the Management Board of the Company. Mr. Noel Collett has been appointed as the member of the Management Board responsible for retail business in Eurocash Group.

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

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

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

- (i) determine the long- and medium-term development strategy as well as main objectives of the Company operations, increase the Company value to the shareholders and report them to the Supervisory Board, review the level of achievement of such goals and modify them if necessary,
- (ii) define the Company's financial goals,
- (iii) implement and follow through the long- and medium-term development strategy as well as the main Company's operating objectives and financial goals,

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 43
REPORT OF THE MANAGEMENT BOARD	

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

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

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

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

<https://grupaeurocash.pl/assets/media/eurocash-by-laws-of-the-management-board2672858461.pdf>

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

Information on remuneration paid to the members of the Management Board in 2019 is provided in the section of the annual report which contains the annual consolidated financial statements, in Note 32.

## **Supervisory Board**

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

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

The composition of the Supervisory Board in the period January 1<sup>st</sup> – December 31<sup>st</sup> 2019 was as presented in the table below.

**Table 18: The composition of the Supervisory Board in 2019**

<b>Name</b>	<b>Position</b>	
João Borges de Assuncao	Chairman of the Supervisory Board	01.01.2019 – 09.05.2019
Francisco José Valente Hipólito dos Santos	Member of the Supervisory Board	01.01.2019 – 31.12.2019
Hans Joachim Körber	Member of the Supervisory Board/ Chairman of the Supervisory Board (since 9 <sup>th</sup> May 2019)	01.01.2019 – 31.12.2019
Jacek Szwajcowski	Member of the Supervisory Board	01.01.2019 – 09.05.2019
Alicja Kornasiewicz	Member of the Supervisory Board	01.01.2019 – 09.05.2019
Renato Arie	Member of the Supervisory Board	09.05.2019 – 31.12.2019
Jorge Mora	Member of the Supervisory Board	09.05.2019 – 31.12.2019
Ewald Raben	Member of the Supervisory Board	09.05.2019 – 31.12.2019

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

- (i) Mr. Jacek Szwajcowski, Hans Joachim Körber and Ewald Raben as Supervisory Board members, appointed by the Company's General Shareholders' Meeting, and
- (ii) Mr. João Borges de Assunção, Ms. Alicja Kornasiewicz, Mr. Renato Arie and Jorge Mora appointed by Politra B.V. s.a.r.l., who submitted representation which meet criteria of an independent Supervisory Board member.

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

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

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 45
REPORT OF THE MANAGEMENT BOARD	

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

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

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

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

- (xi) decisions concerning joint-ventures with other entities;
- (xii) decisions concerning mergers with other entities as well as acquisitions of other entities or enterprises;
- (xiii) incurring any liability in excess of PLN 100,000,000 and the encumbrance on the Company's assets with a value in excess of PLN 150,000,000 if such transactions have not been provided for in the annual budget;
- (xiv) sale or lease or transfer of the Company's assets with the value in excess of EUR 1,000,000 or its zloty equivalent if such a transaction has not been provided for in the annual budget;
- (xv) issuing opinions concerning the determination and changes in remuneration levels or terms of employment of Management Board Members;
- (xvi) raising, issue, taking up or disposal of shares in another subsidiary entity;
- (xvii) development and modification of any stock option scheme or an incentive scheme of a similar nature for the Company's management and employees;
- (xviii) the conclusion of a material agreement by the Company with a related entity as interpreted by the regulations concerning the submission of current and periodical information by issuers

whose shares are quoted on the Stock Exchange in Warsaw S.A. except for standard transactions concluded on market terms as part of company operations entered into by the Company with its subsidiary entity in which the Company is a majority shareholder.

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

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

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

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

<https://grupaeurocash.pl/assets/media/by-laws-of-the-supervisory-board-of-eurocash-sa-2018.pdf>

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

Information on remuneration paid to the members of the Supervisory Board in 2019 is provided in the section of the annual report which contains the annual consolidated financial statements, in Note 32.

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

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

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



EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 47
REPORT OF THE MANAGEMENT BOARD	

(iii) the Nomination Committee.

The members of each of the said committees are selected by the Supervisory Board where the Remunerations Committee should include at least one independent Supervisory Board member while the Audit Committee should include at least two independent Supervisory Board members and one member who is a financial specialist, i.e. a person having pertinent experience in finance management and accountancy in public companies or other companies of comparable size.

Responsibilities of the Audit Committee include as follows:

- a) monitoring:
  - (i) the financial reporting process;
  - (ii) the effectiveness of the Company's internal control and risk management systems and internal audit, including in the scope of the financial reporting process; and
  - (iii) financial revision, in particular the audit including all motions and findings of the Audit Supervision Commission (Polish: Komisja Nadzoru Audytowego) arising from the control in the audit firm;
- b) supervising the submission of financial information by the Company in the periodical reports, forecasts, etc,
- c) supervising the activities of external auditors of the Company,
- d) presenting the recommendations to appoint an audit firm to the Supervisory Board in compliance with the adopted policy and procedure of the appointment, where audit firm cannot render its services for longer than 5 years; controlling and monitoring of the independence of the statutory auditor and the audit firm, in particular if the audit firm provides the Company with other services than audit,
- e) supervising the relationship with the statutory auditor, including in particular:
  - (i) assessing the statutory auditor's independence, remuneration and any nonauditing work for the Company,
  - (ii) granting consent to render by the statutory auditor additional permitted services, other than audit
  - (iii) determining the involvement of the external auditor in respect of the contents and publication of financial reporting,
- f) informing the Supervisory Board on results of the of the audit and how the audit contributed to the integrity of financial reporting and on the role of the Audit Committee in the audit process;
- g) each year evaluating internal control system functioning and the significant risk management system functioning as well as evaluating its own functioning in a form of an annual report of its deliberations, findings and relationship with the external auditor (including in particular his independence) to be included as a part of the Supervisory Board's annual report to be presented at the Ordinary General Assembly;
- h) preparing procedures of appointment of the audit firm by the Company

- i) preparing the policy of appointment of the audit firm for an audit of the Company's yearly separate and consolidated financial statements;
- j) preparing policy for rendering by the audit firm performing audit, its affiliated entities and members of its network of the permitted services other than the audit
- k) submit recommendations to ensure the integrity of financial reporting by the Company.

The Audit Committee in period from 1<sup>st</sup> January 2019 to 9<sup>th</sup> May 2019 was composed of the following members: Ms. Alicja Kornasiewicz (Chairman), Mr. Francisco José Valente Hipólito dos Santos (Member) and Jacek Sz wajkowski (Member). The Audit Committee in period from 9<sup>th</sup> May 2019 to 31<sup>st</sup> December 2019 was composed of the following members: Mr. Jorge Mora (Chairman), Francisco José Valente Hipólito dos Santos (Member) and Ewald Raben (Member).

Responsibilities of the Remunerations Committee include as follows:

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

The Remunerations Committee in period from 1<sup>st</sup> January 2019 to 9<sup>th</sup> May 2019 was composed of the following members: Mr. Francisco José Valente Hipólito dos Santos (Chairman), Ms. Alicja Kornasiewicz (Member) and Mr. Hans Joachim Körber (Member). The Remunerations Committee in period from 9<sup>th</sup> May 2019 to 31<sup>st</sup> December 2019 was composed of the following members: Mr. Renato Arie (Chairman), Francisco José Valente Hipólito dos Santos (Member) and Ewald Raben (Member).

Responsibilities of the Nomination Committee include as follows:

- a. to identify and recommend (for the Supervisory Board's approval) the candidates for the Supervisory Board members appointed by the General Assembly in connection with existing or expected vacancy in the Supervisory Board (including the end of the Supervisory Board's term)

- b. to opine on candidates for Supervisory Board members elected by the General Assembly proposed by the shareholders of the Company,
- c. to identify and recommend candidates for the Management Board members appointed by the Supervisory Board, in connection with existing or expected vacancy in the Management Board (including the Management Board member's or President's end of the term);
- d. each year evaluating its own functioning in a form an annual report of its activities to be included as a part of the Supervisory Board's annual report to be presented at the Ordinary General Assembly.

The Nomination Committee in period from 1<sup>st</sup> January 2019 to 9<sup>th</sup> May 2019 was composed of the following members: Mr. João Borges de Assunção (Chairman), Ms. Alicja Kornasiewicz (Member) and Mr. Hans Joachim Körber (Member). The Nomination Committee in period from 9<sup>th</sup> May 2019 to 31<sup>st</sup> December 2019 was composed of the following members: Mr. Hans Joachim Körber (Chairman), Renato Arie (Member) and Jorge Mora (Member).

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

<https://grupaeurocash.pl/assets/media/by-laws-of-the-supervisory-board-of-eurocash-sa-2018.pdf>

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

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

<https://grupaeurocash.pl/assets/media/by-laws-of-the-general-assembly-of-eurocash-sa-2018.pdf>

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

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

within their discretion and to the extent necessary for the resolution of matters discussed in the Meeting.

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

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

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

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

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

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 51
REPORT OF THE MANAGEMENT BOARD	

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

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

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

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

The scope of activities of the Management Board includes any and all affairs of the Company not reserved for the powers of the General Shareholders' Meeting and the Supervisory Board. The range of powers of the General Shareholders' Meeting and the scope of powers of the Supervisory Board are defined in Point 6.3 of the Report.

The Management Board manages the affairs of the Company and represents the Company externally. The Management Board may decide on the share buyout in circumstances and on terms determined in commonly applicable provisions of law. The detailed rules governing the functioning of the Management Board are stipulated in Point 6.3 of the Report.

#### **6.7. Information on Employee Shares Control System**

April 25, 2017 by Resolutions of the Ordinary General Meeting of Eurocash S.A. a decision was made to issue shares as part of Employee Motivation and Bonus Programs for 2017-2019 (Programs XI - XVI). Incentive programs were introduced in connection with the intention to continue incentive programs from previous years for managers, executives and persons who are fundamental to the operations of the Company and the Eurocash Group and to create the basis for enabling outstanding employees to take up shares in the Company as part of the bonus.

Incentive programs assume for issuance of up to 4.200.000 shares (approximately 3% of the current number of shares). The period of exercise of the options (subscription rights for convertible bonds) is 3-5 years. The issue price of shares in Incentive Programs will be equal to the average price of Eurocash shares on the Warsaw Stock Exchange S.A. on the day of quotations immediately preceding the resolution of the General Meeting on the establishment of these Programs.

The programs cover a total of 6 tranches of 700.000 shares:

- 700.000 ordinary shares of the „XI Program” to be implemented in the period from 01.04.2020 to 30.04.2022,
- 700.000 ordinary shares of the „XII Program” to be implemented in the period from 01.04.2020 to 30.04.2022,
- 700.000 ordinary shares of the „XIII Program” to be implemented in the period from 01.04.2021 to 30.04.2023,
- 700.000 ordinary shares of the „XIV Program” to be implemented in the period from 01.04.2021 to 30.04.2023,
- 700.000 ordinary shares of the „XV Program” to be implemented in the period from 01.04.2022 to 30.04.2024,
- 700.000 ordinary shares of the „XVI Program” to be implemented in the period from 01.04.2022 to 30.04.2024,

In the year ended 31.12.2019, no options for Eurocash Group shares have been exercised.

The fair value of shares granted in the period from 01.01.2019 to 31.12.2019 amounted to PLN 5 880 000 and is recognized as an expense in the income statement for this period (in the year ended 31<sup>st</sup> December 2019, no share options were granted).

The fair value of employee shares programs is estimated as at the date of granting options based on the binominal model.

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

The Management Board of the Controlling Entity is responsible for the Company internal control system and its effectiveness in the process of drafting financial statements and periodical reports drawn up and published in accordance with the stipulations set forth in the Decree dated March 29<sup>th</sup>, 2018 on current and periodical information submitted by issuers of securities and on terms on which information required under the provisions of law of a country not being a member country is recognized as equivalent.

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

The Risk Management Team was appointed to identify and analyze risks related to the Eurocash operations and to establish adequate risk controls and risk limits as well as to monitor deviations noted

from the limits. The risk management policy and system are reviewed on a regular basis so that they reflect ongoing changes in market conditions and the Company operations. The Eurocash strives to achieve a disciplined and constructive control of the environment where every employee would understand their roles and duties through skills (qualifications) enhancement and an application of standards and procedures by the Company.

The Financial Department of the Controlling Entity headed by the Financial Director is in charge of drafting separated financial statements and periodical reports of the Company. Financial data which is the basis for separated financial statements and periodical reports are sourced from monthly financial and management reporting applied by the Eurocash member companies. After each calendar month is closed for accounting purposes, middle and top management jointly analyzes the companies' financial performance against relevant budget assumptions.

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

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

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

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

Additionally Management Board at the beginning of the year 2018 settled position of Corporate Director, responsible for compliance management within Eurocash Group and implementation all legislative changes e.g. General Data Protection Regulation.

The Management Board of the Controlling Entity systematically evaluates the quality of internal control and risk management systems in relation to the process of drafting consolidated financial statements. In line with such evaluation, the Management Board of the Controlling Entity declared that as at December 31<sup>st</sup>, 2019 no weaknesses existed which could have a material adverse effect on the effectiveness of internal controls as far as financial reporting is concerned.

## 6.9. Information regarding Audit Committee

1. The following members of the Audit Committee meet the statutory independence criteria, in period from 1<sup>st</sup> January 2019 to 9<sup>th</sup> May 2019: Ms. Alicja Kornasiewicz and Mr. Jacek Sz wajcowski; in period from 9<sup>th</sup> May 2019 to 31<sup>st</sup> December 2019: Mr. Jorge Mora and Ewald Raben.

2. The following Members of the Audit Committee have knowledge and skills in the field of accounting or auditing of financial statements:

- Mr. Francisco José Valente Hipólito dos Santos – has a third-level education with a specialist area in Business Management. He completed his studies in 1984 at the Portuguese Catholic University in Lisbon (Universidade Católica Portuguesa). Between 1999 and 2003 he was a member of the management board of Barclays Bank in Portugal. In years 2003 and 2006 he was managing Marketing Department in Banco Espírito Santo PLC and between 2007 and 2011 he was director in Savings Department of that bank. In the period of 2011 – 2012 Mr Santos was Managing Director in Banco BEST PLC. Since the beginning of 2013 he was a Non-managing Director and management board advisor to international cases in Banco Espírito Santo PLC until August 2014, when he assumed the function of Compliance Officer at Novo Bonco, which he held until June 2017. Then he held managerial positions in many companies from various sectors, including the real estate, travel and FMCG sector. Mr. Francisco José Valente Hipólito dos Santos since 2013, he is a member of the Eurocash Supervisory Board.
- Alicja Kornasiewicz – acting as Chairman of the Audit Committee till 9<sup>th</sup> May 2019, has knowledge and skills in accounting and auditing financial statements. Ms. Alicja Kornasiewicz has PhD in economics, graduate of Harvard Business School in Boston and Executive Management Programme (INSEAD) in Paris. The auditor. First representative from Central and Eastern Europe at the Foundation of the International Accounting Standards Committee (IASC). Former Member of the Examination Board of the National Chamber of Statutory Auditors, member of the Securities and Stock Exchange Commission.
- Mr. Jorge Mara – he graduated from the University of Miami with a Business degree in 1989 and from the Wharton School of Business with an MBA in 1993. He has over 25 years of experience working in International corporate advisory and private equity



investing. Most recently he was Vice-Chairman and Senior Managing Director of Macquarie Capital in the USA. Prior to that he was the Group Head of Financial Sponsor coverage at Lazard and before that a Managing Director at UBS. Currently he is active on several not-for-profit Boards and in Venture Capital investing.

3. The following member of the Audit Committee has knowledge and skills in the sector in which the Company operates:

- Mr. Jacek Sz wajcowski – entrepreneur, founder and president of the management board of Pelion Healthcare Group. The company runs retail, wholesale and hospitals supply. Pelion Healthcare Group exists on the market for 23 years and is currently one of the biggest groups on the healthcare market in Poland and Lithuania, with approximately USD 2bln sales, hiring 7 000 employees and managing the net of warehouses and 1 400 pharmacies. Mr Jacek Sz wajcowski finished studies at the Mechanical Faculty of the Technical University in Łódź and has over 21 years of experience in managing pharmaceutical sector. Since the year 2000 Mr Jacek is a member of World Economic Forum in Davos. Since 2001 he is also a board member of Polish Business Roundtable. In 2005 he became a member of the international organization – Forum of Young Global Leaders.
- Mr. Ewald Raben – he studied at the College of Transport and Logistics in Rotterdam. In 1991 he set up a family business in Poland. During 26 years of activity he has created a European company dealing not only with road transport but providing comprehensive services including warehousing, sea and air transport and logistics of fresh products at controlled temperatures. Today Raben Group employed almost 10 000 employees, had a total 1 150 000 sqm of warehouse capacity, and the company's global turnover reached EUR 1 billion. Group branches are located in 12 European countries: the Czech Republic, Estonia, the Netherlands, Germany, Hungary, Lithuania, Latvia, Poland, Slovakia, Ukraine, Romania and Italy. Mr. Ewald Raben is the winner of E&Y Entrepreneur of the Year 2012 competition and the winner of 2018 LEO Award in the “Entrepreneur of the Year” category by Deutsche Verkehrs-Zeitung.

4. The policy of selecting an audit firm

The auditor is selected in extension of the current contract or tender, under which the evaluation of offers takes place under the following criteria:

- understanding the business, the trends affecting the Company - tenderers should describe their perception of the FMCG sector (wholesale and retail), current issues affecting the

Company in terms of competitiveness, reporting, legal and tax issues and provide a map of the audit risks;

- experience in audit and non-audit services for FMCG sector companies;
- experience in auditing of companies listed on Warsaw Stock Exchange (WIG20 preferred), knowledge of standards of corporate governance and reporting of listed companies;
- people – auditor's team members should be an experts in their field, have access to technical knowledge and be familiar with the latest trends within IFRS etc. (tenderers should provide accurate CV of leaders and team members);
- the organization – the auditor needs to be capable of serving needs of the Company - have adequate coverage and resources to conduct the audit (offices across Poland, preparation for cooperation with international Management and Supervisory Board etc);
- independence - the tenderer should provide a detailed description of the tasks carried out on behalf of the Company and other companies from FMCG sector;
- approach to the audit – whether it meets the needs of the Company and provides an added value (what is expected from the auditor);
- the opportunity for the Company to access to the auditor's specialized sector teams and to benefit from the knowledge of experts in the specific sectors;
- remuneration.

Auditor, ie . Ernst & Young Audyt Polska sp. z o.o. sp. k. carried out an audit of the Company's reports for 2019 following a choice made by the Supervisory Board of Eurocash S.A. pursuant to § 14.2 of the Company's Statute on May 9<sup>th</sup>, 2019. The auditor meets the selection criteria. In the opinion of the Audit Committee, the Company's auditor, due to the fact that has no other business connections with the Company, may perform functions independently.

The Audit Committee in 2019 held three meetings: on March 14<sup>th</sup>, May 9<sup>th</sup> and November 26<sup>th</sup> and one teleconference on August 27<sup>th</sup>.

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 57
REPORT OF THE MANAGEMENT BOARD	

## 7. STATEMENT ON NON-FINANCIAL INFORMATION

### 7.1. About Eurocash Group

Eurocash Group is the largest Polish wholesale company distributing FMCG products, supporting Entrepreneurs and independent retail trade in Poland. Company is present on Polish market since 1995. Thanks to combination of business experience, commitment of Eurocash Group employees and the entrepreneurship of local store owners, Eurocash Group has gained a leading position in FMCG distribution in Poland.

On the one hand Eurocash business is based on creating the widest possible range of FMCG products delivered to clients at affordable prices, enabling them to compete with the multi-format market. On the other hand, Eurocash Group supports clients in their entrepreneurship: provides them with new business models and concepts or new channels to reach their clients, educate them (the Academy of Skills is an example), which enable them to develop their business in line with the latest trends in the retail trade.

After 25 years of running business and supporting clients, Eurocash Group has deserved the title of patron of polish entrepreneurship. Supporting and developing entrepreneurship is also one of the bases of Company's sustainable development strategy - this is how Eurocash understand its responsibility towards society.

#### 7.1.1. Eurocash Group Business Model

Eurocash Group's wholesale trade network consists of 180 Cash&Carry warehouses, under which a network of "abc" partner stores is organized (8 985 local grocery stores). In franchise and partner networks cooperating with Eurocash Dystrybucja (Groszek, Euro Sklep S.A., Lewiatan, PSD, Gamma), 5 133 stores were associated.

The retail network included 1 565 small supermarkets, including 1 351 operating under the Delikatesy Centrum brand and 450 Inmedio and Inmedio Trendy press salons.

**Table 19: Eurocash Group's wholesale and retail trade network**

	As at 31 <sup>st</sup> December 2019	As at 31 <sup>st</sup> December 2018
Cash & Carry Warehouses	180	180
'abc' store network	8 985	8 708
Inmedio and Inmedio Trendy newsagents	450	448
Franchise and partner stores of Eurocash Distribution*	5 133	5 024
Small Supermarkets	1 565	1 539
<i>Incl. Delikatesy Centrum</i>	<i>1 351</i>	<i>1 328</i>

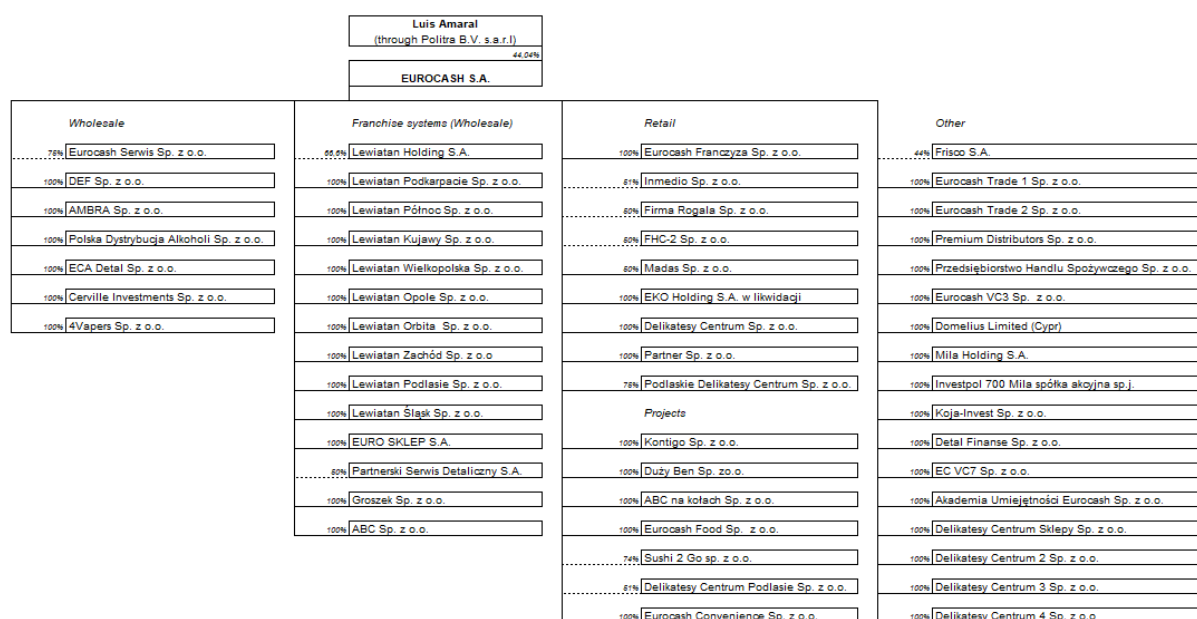
\*Groszek, Euro Sklep S.A., Lewiatan, PSD (Gamma).

Source: Eurocash

### 7.1.2. Eurocash Group Management Structure

Eurocash Group is the largest Polish company dealing with wholesale distribution of food products and marketing support for independent Polish entrepreneurs conducting retail operations. Luis Amaral is the main shareholder of Eurocash (directly and indirectly) with the shareholding of 44.04% as at 31.12.2019. Luis Amaral serves as President of the Management Board. The parent company in the Group is Eurocash S.A., which realizes the majority of the Group's sales.

**Chart 11. The structure of the Eurocash Group and its affiliated companies as at December 31<sup>st</sup> 2019:**



### 7.1.3. Eurocash – patron of Polish entrepreneurship

Eurocash Group mission concentrate on supporting independent Polish retail trade. Company does it through education activities (Eurocash Skills Academy) or promotion of good practices in business (the "Equals in Business" ranking and the Heroes of Innovation competition).

### 7.1.4. "Equal in Business" ranking

"Equal in Business" ranking was announced for the third time in 2019. It is a joint project of Eurocash Group and Polish Chamber of Commerce launched in 2017. The ranking rates the distribution and pricing strategies of the ten largest producers in Poland. It shows not only good business practices, but also raises the issue of discrimination of small-format stores by some FMCG manufacturers. The "Equal in Business" ranking stands out for producers who, through fair treatment of small-format retail stores, positively affect their competitiveness in relation to large-format stores and discount stores.

It is prepared by Eurocash Group analysts who compare the market results of the ten largest producers (by sales value). In the reported period, their group increased significantly. Each of them is awarded points in 5 areas, which is assigned the appropriate weight in the final result: price 20%, distribution 25%, market share 20%, contribution to growth of 25% and dedicated products 10%. The final number of points the producer receives is a weighted average of the results of all these indicators. The more points, the higher the ranking, and hence - the more balanced distribution and price strategy a given company has.

The results of the ranking are publicized among producers in industry and general information media. The third edition showed that some manufacturers were able to change their sales strategies in one year to reach the top of the list.

"Equal in Business" is supposed not only to recognize good practices among suppliers, but also to promote them among Polish entrepreneurs and people who care about shop supplies. It also aims to encourage partnership between leading manufacturers in Poland and small-format stores, as they are still responsible for almost half of the retail market.

### 7.1.5. Heroes of Innovation

After the successes of the previous editions ("Entrepreneurship Heroes" and "Local Heroes") the "Heroes" plebiscite was held for the third time in 2019. This time Heroes of Innovation were awarded.

Innovation was understood as ideas to improve the business run by the Entrepreneur or ideas to bring positive change in the environment. The total pool of prizes in the competition was PLN 1 million, and the highest grant - PLN 100 thousand. Katarzyna Dowbor, Zbigniew Urbański and Przemysław Talkowski became ambassadors of the contest. Total pool of 2019 edition was 661 projects, 54 grants awarded and 538 041 votes given in the contest. The projects could have been submitted in three categories: I am changing the world locally, I invest in technology and focus on practical solutions.

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 60
REPORT OF THE MANAGEMENT BOARD	

## **7.2. Responsible Management**

### **7.2.1. Ethics and values**

Eurocash Group is guided by the Code of Ethics, which has been approved to increase the transparency at work and business environment. It aims to define the standards of behavior expected from all employees of our company and contains key values for them. It also concerns respect for human rights.

Every new employee must be familiar with the Group's ethical principles. To do this, a mandatory e-learning course has been prepared, in which information on values and ethical principles has been systematized, with specific examples of their practical application. Employees without permanent computer access get the Code of Ethics on paper. Superiors are obliged to ensure that ethical standards are respected among their subordinate employees. Members of the Eurocash Group Management Board are involved in active promotion of ethical principles.

The Group has an anti-corruption policy and procedures. Employees and senior management are trained on these issues. No corruption cases were observed in 2019. An audit on this issue is planned for 2020.

### **7.2.2. Eurocash Group Values**

The values, principles, standards and norms of the organization's conduct have been collected in codes of conduct and ethical codes. Below Eurocash Group 8 main values:

#### *Responsibility*

Each of Eurocash Group employee sets business objectives, and is responsible for achieving them. Through effective use of all means available, all employees aim at meeting the challenges. Therefore, they all contribute to the Group growth and to the increase of its generated profit.

#### *Accountability*

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

#### *Teamwork*

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

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 61
REPORT OF THE MANAGEMENT BOARD	

### *Transparency*

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

### *Profit sharing*

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

### *Client service attitude*

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

### *Work enjoyment*

Eurocash Group cares to be an attractive employer. Company achieves that by justly rewarding achieved results. It is also very important that employees gain satisfaction and pleasure from overcoming challenges set before them. The work environment in Eurocash Group is informal, enabling development and gaining experience in an exciting environment, full of passion and energy.

### *Entrepreneurial spirit*

Entrepreneurship is part of Eurocash Group DNA. Company believes that in each employee there is a soul of an entrepreneur and, when properly motivated, it allows them to reach the impossible. Eurocash Group actively analyzes environment to identify the opportunities for customers and business development. Eurocash Group innovates and consciously chooses to take risk, believing that it would allow the Company to be the number one.

In the Eurocash Group there is a system of reporting abuse by employees, it works on a trust line where employees can call in cases of irregularities.

## **7.3. Eurocash Group Strategy**

### **7.3.1. Strategic assumptions**

The Management Board of Eurocash Group, through its activities, aims to sustainably develop the operations of the Group and its clients. The superior objective of Eurocash Group is to ensure competitiveness of independent retail stores in Poland, offering added value to the Group's clients and increasing the value of the Group for its shareholders.

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 62
REPORT OF THE MANAGEMENT BOARD	

The Group implements its strategy by:

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

In response to the ongoing consolidation process on the food distribution market in Poland, including the wholesale distribution of FMCG products in Poland, the Eurocash Group strategy also assumes further organic growth in each distribution format and continuation of acquisitions of other wholesalers, franchise networks and retail chains. Takeovers of other entities allow for relatively quick economies of scale, which translates into the ability to offer Group's clients (independent retail trade) better terms of goods purchase, which should also contribute to improving the competitiveness and market position of the Group.

In line with the current strategy, the Eurocash Group intends to create the largest supermarket chain in Poland based on its own and franchise stores.

The source of the expansion the assumption of which is the establishment of a chain of stores with 2400 branches, will be the development of the network in the franchise model, supported by subsequent acquisitions of local chains and the construction of stores from the scratch (together with partners from the real estate sector). In this way, entrepreneurs from all over Poland will have access to a recognizable retail brand and marketing tools at the cost level comparable to the large-scale stores chain.

The mission of the Eurocash Group is to improve the competitiveness of retail stores run by independent entrepreneurs in Poland. Experiences developed in own stores will ultimately be transferred to franchisees.

As part of its wholesale activities, the Eurocash Group will focus on the integration of individual business units, sharing the best solutions developed by each of the formats and implementing group synergies. A healthy, reorganized wholesale business that generates strong cash flows from operating activities will be the main source of financing for the expansion of the retail segment. Further development of wholesale activities should be supported by the eurocash.pl platform, which gives the owners of independent retail stores the opportunity to indirectly reduce costs and, above all, better address the needs of consumers.

In order to preserve the competitiveness of independent stores in Poland, the Eurocash Group continues to invest in innovative projects, such as: Duży Ben, abc on wheels, Kontigo and others. After successful development of projects: Faktoria Win, PayUp and distribution of high quality fresh



EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 63
REPORT OF THE MANAGEMENT BOARD	

products in previous years, Company decided to expand concepts: Duży Ben and Kontigo, as a franchise chain.

### **7.3.2. Corporate Social Responsibility Strategy**

Project developing strategic assumptions for sustainable development was carried out in the Eurocash Group in 2019. They were already reported in 2018. Consultations were conducted inside the company as part of this project. Several dozen of employees took part and were responsible for the key areas of sustainable development (including members of the Group's Management Board). There was also a strategic session for employees and a survey addressed to the Group's investors. In the third quarter 2019 educational workshops for several dozen employees were also organized to prepare the Company for reporting for 2019 in the GRI standard.

As part of the strategy, four main pillars of sustainable development of Eurocash Group were defined:

1. Development of Entrepreneurship
2. Quality without compromise for everyone
3. We use less, we don't waste
4. Employees

More information on activities in these areas will be available in the "Eurocash Group Impact Report 2019", available at [www.grupaeurocash.pl](http://www.grupaeurocash.pl).

### **7.3.3. 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.

**Table 20: Risk management system**

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

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

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

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 67
REPORT OF THE MANAGEMENT BOARD	

## **7.4. Employees**

### **7.4.1. Employees**

Eurocash Group is one of the largest polish employers. For 25 years company has been providing employees with permanent and good working conditions, putting a lot of attention to respect for human and employee rights and the possibility of complex development in many segments of our business. In 2019 Eurocash Group hired 18 099 employees across the country. Eurocash Group cooperates with thousands of suppliers and entrepreneurs, which has an indirect impact on the employment of more people and the development of local communities.

**Table 21: Eurocash employment overview**

	Condition of employment						Type of employment									Number of employees
	Fixed-term contract			Indefinite contract			Full-time contract			Half-time contract			Others			
	Total	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male	
Wholesale	2 375	982	1 393	8 225	3 422	4 803	10 275	4 144	6 131	84	58	26	241	202	39	10600
Retail	3 017	2 679	338	3 918	3 498	420	6 784	6 048	736	92	78	14	59	51	8	6935
Projects	224	169	55	137	83	54	345	243	102	7	3	4	9	6	3	361
Others	48	41	7	155	135	20	202	175	27	1	1	0	0	0	0	203
Total	5 664	3 871	1 793	12 435	7 138	5 297	17 606	10 610	6 996	184	140	44	309	259	50	18099

*\*Including companies: Eurocash S.A., Eurocash Serwis sp. z o.o., DEF sp. z o.o., AMBRA sp. z o.o., 4Vapers sp. z o.o., Lewiatan Podkarpacie sp. Z o.o., Lewiatan Północ sp. z o.o., Lewiatan Kujawy sp. z o.o., Lewiatan Wielkopolska sp. z o.o., Lewiatan Opole sp. z o.o., Lewiatan Orbita sp. z o.o., Lewiatan Zachód sp. z o.o., Lewiatan Podlasie sp. z o.o., Lewiatan Śląsk sp. z o.o., EURO SKLEP S.A., Partnerski Serwis Detaliczny S.A., Groszek sp. z o.o., Eurocash Franczyza sp. z o.o., EKO Holding S.A. w likwidacji, Delikatesy Centrum sp. z o.o., Kontigo sp. z o.o., Duży Ben sp. z o.o., ABC na kołach sp. z o.o., Sushi 2 Go sp. z o.o., Eurocash Convenience sp. z o.o., Detal Finanse sp. z o.o., Akademia Umiejętności Eurocash sp. z o.o., Delikatesy Centrum Sklepy sp. z o.o.*

**Table 22: Eurocash employment rotation**

	Employees fired (in 2019)						Employees hired (in 2019)						Average number of employees						The rate of new employees hired in the organization in 2019 with a split: number of new employees hired in 2019 in relation to the number of all employees						Employees turnover rate					
	Total	Sex		Age			Total	Sex		Age			Total	Sex		Age			Total	Sex		Age			Total	Sex		Age		
		Female	Male	Under 30 years	30-50 years	Above 50 years		Female	Male	Under 30 years	30-50 years	Above 50 years		Female	Male	Under 30 years	30-50 years	Above 50 years		Female	Male	Under 30 years	30-50 years	Above 50 years		Female	Male	Under 30 years	30-50 years	Above 50 years
Wholesale	577	220	357	1 319	1 635	217	3 128	1 167	1961	1 652	1 347	129	408.2	165.7	242.5	94.6	267.8	45.9	0.14	0.14	0.14	0.36	0.11	0.08	0.07	0.07	0.08	0.29	0.15	0.09
Retail	3 717	3 099	618	1 576	1 701	440	3 249	2 702	547	1 538	1 387	324	2408.4	2129.3	279.1	549.0	1453.2	406.3	0.24	0.27	0.29	0.43	0.19	0.13	0.38	0.47	0.43	0.82	0.34	0.31
Projects	143	104	39	103	37	3	226	178	48	161	60	5	61.1	40.4	20.7	35.5	22.6	2.9	0.51	0.56	0.42	0.69	0.41	0.30	0.59	0.62	0.31	2.11	0.42	0.13
Others	73	52	21	10	45	18	67	52	15	18	38	11	70.6	61.3	9.3	12.3	40.4	17.9	0.31	0.28	0.53	0.33	0.34	0.13	0.31	0.28	0.35	0.19	0.36	0.22

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 70
REPORT OF THE MANAGEMENT BOARD	

People are the most important in Eurocash Group. Only thanks to their commitment, reliability, entrepreneurship and everyday diligence the company is able to achieve ambitious goals set for the whole Group. That is why Eurocash Group has been striving for years to earn the title of a responsible employer.

Employment in Eurocash Group is primarily a perspective of constant development. The scale and diversity of company's operations and the number of entities it cooperates with gives employees not only an opportunity to work in many industries, but also an opportunity for continuous development. Eurocash Group employees change employment between the Group's organizational units or individual companies throughout their career. Eurocash Group is a place with very many opportunities.

Eurocash Group is employer that offers great opportunities for cooperation. Company's employees are a diverse group of people. Eurocash Group is built on this diversity of competences and teamwork.

In employment Eurocash Group is guided by several principles: stability, ambition and development. As a responsible employer, company cares for the comprehensive development and sense of security of its employees: not only entrust them with ambitious tasks, but also gives them the opportunity to get involved in social programs, e.g. through the employee volunteering program.

In the reporting period, Eurocash Group was the winner of Friendly Workplace 2019/2020 and was among employers who can boast a modern approach in the area of personnel policy and employee development. The Friendly Workplace award is granted by the MarkaPracodawcy.pl website - this is a distinction for companies that respect and support the work-life balance model, create a healthy and friendly work environment, focus on open and partnership relations with employees, invest in the development of their professional competences and interests. Eurocash Group has been recognized for its activities in such categories as employee relations, employee development, work life balance, healthy workplace, benefits and additional activities, such as Eurocash Skills Academy or author's own post-graduate studies at the Warsaw School of Economics.

A large part of Eurocash Group employees are manual workers - company wants to provide them with stable working conditions. For professionals Eurocash Group offers ambitious projects to create new business concepts and create trends in the FMCG industry. Company offers summer apprenticeship and management programs to young people, who are at the beginning of their professional career.

As a responsible employer, Eurocash Group conducts a dialogue with employees on many levels. First of all, company takes care of internal communication, which is a huge challenge for such a large scale of activity. The principle is to listen to employees in order to communicate with them effectively. In internal communication, Eurocash Group uses various channels of information transfer. The company has an employee portal and a workplace, thanks to which is able to reach the employees quickly. People whose work does not require the use of electronic tools receive messages in the traditional way or directly from their supervisor. An annual "Let's hear" opinion poll is also conducted among all Group employees. In 2019, 76% of employees took part in the survey. Employees are also



EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 71
REPORT OF THE MANAGEMENT BOARD	

asked for their opinions on issues related to both their work and their daily operations in the company. The Eurocash Group also has a helpline where employees' rights violations can be reported.

Management Board members are involved in communication with employees. Each week begins with a short "Successful Week!" newsletter addressed to employees by Luis Amaral, President of Eurocash Group. The Management Board members are also active in social media for employees. The tradition of our company is the so-called Road Show of Management Board Members, which takes place at the beginning of each year. During the meetings with the employees, the Management Board presents the strategic assumptions of Eurocash Group and the Company's results. In 2019 the Road Show visited 8 cities, gathering 650 people in total. Members of the Management Board involved in 2019 was Luis Amaral and Katarzyna Kopaczewska.

#### **7.4.2. Good working condition**

As a responsible employer Eurocash Group provides employees with extensive access to various benefits and non-wage packages.

Overview of benefits available to all full-time Eurocash Group employees are as follow:

Benefits financed entirely by Eurocash Group:

- Summer picnics
- Christmas meetings
- Children's Christmas packets
- Prepaid cards for Christmas
- Prize-winning contests
- Drawing contest
- Scholarship programme

Benefits available for a small surcharge:

- Medicovert medical care for the employee and his family
- Group insurance
- Sports cards
- Summer camps for children

Eurocash Group knows that health is the most important thing, therefore Eurocash Group employees and their closest relatives have access to medical care provided by Medicovert - 22% of employees use it. Medical prophylaxis and physical activity are widely promoted within the Company. Employees and their loved ones can use several different sports cards. Every year they also take part in charity sports events, their participation is financed by the Company. Charity runs have become a permanent fixture in the Eurocash Group's sporting events calendar: Wings For Life World Run, Company Run and Poland Business Run. There are sports leagues in the company and a special budget has been

allocated for their operation. At the beginning of the bicycle season employees can use a free bicycle service.

In 2019, a series of meetings called #Nasze Zdrowie (Our Health) was introduced, they were aimed at spreading healthy habits in the workplace. They focused, among others, on the issues of correct posture and healthy spine - that is why employees could take advantage of rehabilitation massages.

Taking care of employees, Eurocash does not forget about the needed one. Numerous benefits for employees are accompanied by social activities, e.g. thanks to the Noble Edenred Gift Cards for 2019 Eurocash has donated over PLN 137 000 to the WIOSNA Association.

Eurocash also addresses its activities to the children of its employees, for whom a scholarship program "Fulfil your dreams" has been created and colonial trips are organized every year.

#### 7.4.3. Safety – common matter!

Eurocash Group as the leader of the wholesale market and one of the largest logistics operators in Poland takes care of the safety of employees in the workplace. On the list of company priority goals in the area of safety is the annual reduction of accidents at work.

In the reporting period, the situation was as presented in the table below.

**Table 23: Safety in Eurocash**

<b>Eurocash Group employees</b>	
Number of fatalities due to work-related injuries	0
Rate of fatalities due to work-related injuries	0
Number of serious work-related injuries (excluding fatalities)	1
Serious work-related injury rate (excluding fatalities)	0.1
Number of work-related injuries	449
Indicator of work-related injuries	24.8
Main types of work-related injuries	tripping, falling, twisting, crushing, fracture of lower/high limbs, injury to upper limbs
Number of employees	<b>18 099</b>
<b>Employees who are not employed by Eurocash Group, but whose work and/or workplace is controlled by the Group</b>	
Number of fatalities due to work-related injuries	0
Rate of fatalities due to work-related injuries	0
Number of serious work-related injuries (excluding fatalities)	0
Serious work-related injury rate (excluding fatalities)	0
Number of work-related injuries	40
Indicator of work-related injuries	11.99
Main types of work-related injuries	tripping, falling, twisting, crushing, fracture of lower/high limbs, injury to upper limbs
Number of employees	<b>3 336</b>

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 73
REPORT OF THE MANAGEMENT BOARD	

A preventive system is very important for safety at work. It is based on a system of training for the Group's employees and daily reminders and enforcement of safety rules.

All employees are covered by initial training on hazards and accident prevention, fire protection and first aid rules. Training on these issues takes place during the first two days of work in the company.

With the employees of distribution centres in mind, specialist training courses are prepared in the field of storage, transport of chemical agents, manual transport and work ergonomics. Forklift truck operators are offered specialist training in handling this type of vehicles.

The prevention system also includes "Strzał w 10" meetings - short meetings for distribution centre employees to discuss selected safety issues in the workplace. However in case of accident, there are meetings for employees each time. In addition, the management of the unit receives special recommendations, which are then reviewed.

The "Bezpieczny Krzyż" is a programme that monitors days without an accident in the distribution centres. There is also a "Kapitan Bezpieczeństwa" in each such a centre, whose task is to monitor safety and promote a responsible approach to the issue in the workplace among employees.

Eurocash Group is one of the largest logistics operators functioning throughout Poland, which makes driving a permanent feature of many employees. Company reduces accidents in this area, promoting not only safe, but also ecological driving. More about this issue in the chapter Green transport.

#### **7.4.4. Development and commitment**

The strength and most important capital of Eurocash Group are people and their competences. Due to the scale and nature of its operations, company cooperates with a very diverse group of employees, who are enabled at many levels to develop their professional competences and engage in social projects.

The development of professional competencies is carried out through a wide range of training courses available to employees. It includes both internal and external training, and there is also a possibility of co-financing university studies. Specialized or job-specific training is offered to individual groups of employees whose work has a specialized character. Apart from training strictly related to their duties, the Group's employees participate in numerous courses developing interpersonal competences.

Employees can also use a modern e-learning platform. Several hundred on-line trainings are available there and their offer is constantly expanding. As Eurocash also value tradition, the Company has a library, with a constantly growing collection of books.

The number of trainings in the reported period in the hourly schedule is as follows.

**Table 24: Training per hours in Eurocash**

**Average number of hours of training that employees completed in the reporting period, broken down by:**

<b>Sex</b>	
Female	1.99
Male	2.82
<b>Employment category</b>	
Senior staff	14.45
Middle management	5.44
Specialists	5.74
Others employees	1.00

Eurocash Group creates opportunities for young people - both young managers and students - to gain knowledge and professional experience. The company has 3 programs related to this area.

Students are offered summer internships, which take place during the holiday period, i.e. from July to August. Every student (regardless of the year of study or major), who wants to learn and develop, and above all is open, committed, has curiosity about the world, motivation and courage, can take part in them. Recruitment for the program is in March and April. After the initial training and integration, the qualified persons have the opportunity to do a 2-month internship in a selected department of Eurocash Group under the supervision of a specially appointed internship supervisor. Students receive remuneration for the internship. In 2019 the internship was held by 18 persons.

Eurocash Group regularly cooperates with Polish universities and implements an ambassador programme. In the academic year 2019/2020, the Company is represented by seven student ambassadors (four women and three men). In Warsaw, the ambassadors are students who work at the Warsaw School of Economics, the University of Warsaw and the Warsaw School of Life Sciences. In Poznań Company is represented by students at the University of Economics and Adam Mickiewicz University. Eurocash Group ambassadors are also present at the University of Economics in Wrocław and Katowice. Selected students support the Group in permanent events held at the universities, such as "Wyprawka dla Pierwszaka", and events organized by the universities themselves. The ambassadors also help to establish cooperation with student organizations of the respective universities. Additionally, Eurocash Group is a business partner of the Poznań University of Economics - it is a member of the Partner Club of the Poznań University of Economics, and Luis Amaral, President of Eurocash S.A., has been the associate dean of that organization since 2017.

For students and recent graduates, Eurocash Group runs two management programmes: Management Trainee (MT) and Sales & Operations Trainee (SOT). Both of them are aimed at educating managers capable of carrying out complex projects in various departments of Eurocash Group, while the second one focuses on training managers specializing primarily in sales and logistics.

Each person joining the Management Trainee programme undergoes an intensive 2-month training in various departments and locations of Eurocash Group. The next stage is an internship in two different departments, each lasting 6 months. After completing the internship, the employee takes up the position of junior manager in a selected department of the Group. In the following years he has an opportunity to further develop and take up key positions in the Company.

In the Sales & Operations Trainee programme the participants develop their skills, working after the initial training as sales representatives or customer advisors in the largest business units of Eurocash Group. After about 2 years they become sales area managers. The target function under the programme is the position of Regional Operational Director.

In the reporting period, 17 persons participated in both programmes.

Each employee can also count on participation in the Performance Management and Evaluation 360/180.

**Table 25: Employee assessment by Evaluation 360/180**

Number of employees subject to regular job quality assessment and career development reviews, by		
Sex		
Female		1 337
Male		1 255
Employment category		
Senior staff	Management Board and directors	115
Middle management	Managers	141
Specialists	Leaders	1 076
Others employees	Specialists	1 260

#### 7.4.5. Employee volunteering

Almost from the very beginning of the Company's existence, employees of the Eurocash Group have been involved in numerous social and charity campaigns and volunteer projects. The scale of their activities and interest in projects for the benefit of local communities and the entire society are enormous. To meet the expectations of employees, Company decided to create a long-term employee volunteering strategy for the Eurocash Group. It was prepared in 2019 in cooperation with the Responsible Business Forum. Nearly 500 employees were involved in the process of its creation and 2000 were invited to participate in the study. Of these, 30% were persons performing managerial functions and 70% were employed in other positions. The main goal of the whole process was to determine in which areas employees would like to volunteer.

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 76
REPORT OF THE MANAGEMENT BOARD	

Employee volunteering strategy assumes involvement in three areas: people, entrepreneurship and ecology.

Eurocash Group volunteers can count on the help of the employee volunteer coordinator specially appointed to cooperate with them. The program also offers a grant competition for managers, which is to support the implementation of projects inspired by employees' ideas. The long-term goal of the strategy is to increase the number of volunteers engaging in competence volunteering.

In 2019, 355 employees were involved in the volunteering program who allocated a total of 2 months of work for their social activity.

## **7.5. Quality without compromise for everyone**

### **7.5.1. Quality without compromise for everyone**

The Eurocash Group is the largest Polish company that deals in the distribution of FMCG goods on the Polish market. Eurocash work with a group of nearly 1.5 thousand commercial suppliers whose products, thanks to efficient logistics, reach over 80 000 customers. Eurocash is also one of the largest enterprises in Poland, which cooperates with around 8 000 non-commercial suppliers [102-9]. In this way, with commercial and non-commercial purchases, Eurocash create a significant part of the food supply chain for consumers throughout Poland and for the needs of entire organization. Most of Eurocash suppliers are Polish companies, including local producers, thanks to which Eurocash actively support the local market. In the reported period, Eurocash Group made purchases of approx. PLN 23 billion.

As a logistics and wholesale operator, Eurocash make sure that their products meet the highest standards of quality and safety. Company also remember that for they customers - and finally consumers themselves - in addition to quality, product availability and price are also important. Therefore Eurocash provide them with access to the widest possible selection of products at prices that allow them to compete with other popular formats on the market. On the other hand, thanks to extensive logistics network, Eurocash deliver offering goods as close as possible to they clients - and thus to the widest possible range of consumers.

### **7.5.2. Our suppliers**

Eurocash cooperates with a group of about 9 500 suppliers. Each of them is obliged to comply with the requirements of the document "General conditions for the delivery of products", which regulates: product features and documentation, audit principles, purchase price determination, delivery organization, returns, document flow, promotional activities, financial flows or penalties.

Cooperation with food suppliers for our Eurocash Group always start from the so-called preliminary food safety audit, which allows to assess a potential partner. This audit is carried out on the basis of an audit list prepared by Eurocash experts. Further negotiations are conducted only with those

suppliers who will obtain a positive result of the pre-audit. In addition, periodical audits of suppliers are carried out already during cooperation.

### 7.5.3. Product quality and safety

One of Company slogans is "we start from each other", which is why the Eurocash Group ensures the highest standard of product safety and quality. Eurocash follow all policies in this area - this is confirmed by the certificates that Company have been awarded.

Eurocash care for the safety of products throughout the entire supply chain. The Eurocash Group has introduced to its logistics facilities a "Bulog", temperature control system based on active RFID radio technology. It allows constant temperature measurement in real time, thanks to which it is possible to maintain high quality of all products and minimize losses resulting from its changes. This system has been installed in most distribution centers throughout Poland and in Eurocash Food Service warehouses.

To maintain the highest quality of fresh products, there are daily checks in Eurocash warehouses that make sure high quality and safety standards are being maintained during storage. Cyclical checks are also carried out on the correctness of picking fresh products before they are sent to customers. Eurocash has 9 warehouses with quality control:

- Distribution Centres Fresh-ECCL:
  - DC Komorniki
  - DC Błonie Piorunów
  - DC Krosno
  - DC Sosnowiec
  - DC Wrocław
  - DC Kragola
- Distribution Centres CC (without meat):
  - DC CC Pińczów
  - DC CC Komorniki
  - DC CC Płońsk

Designated quality controllers and technologists regularly check the quality of suppliers. They directly supervise the preparation of fresh products (meat, fruit, vegetables, fish) directly at the producer's premises. In 2019, 473 audits (including 119 own brand audits) of quality control were carried out. The quality control of fresh products is also carried out in the central warehouses of the Eurocash Group. They are carried out by a team of quality controllers, each of whom has the qualifications of an expert. All deliveries are also checked for compliance with the parameters that are specified in the product specifications developed by team of technologists. In addition, laboratory tests are carried out on products such as fish, fruit and vegetables as well as private label products.

Company make sure that employees are trained in food safety. 627 employees (both of franchise stores and employees of operational departments) were trained in the reporting period. Quality controllers also carry out site visits for Eurocash clients for training purposes, which concern the management of fresh products exposure. In 2019, 197 such visits took place.

#### **7.5.4. Own Brand**

Eurocash provides safety and high quality of the own brand products offered by the Group. Company implements the initiative in cooperation with suppliers and external, independent and accredited laboratory.

The tasks carried out under this initiative are:

- Audits of own brand suppliers - 119 quality controls were carried out as part of the suppliers' supervision,
- sensory evaluation of own brand products - 256 sensory panels took place,
- laboratory tests of the own brand products - 1769 tests were ordered confirming the proper quality of the products,
- ensuring that the labelling of the own brand products complies with the law - a total of 1003 passports, labels and stickers have been verified and approved,
- control of own brand products carried out at the Eurocash Group's commercial facilities (in stores and wholesalers) - a total of 27 inspections were carried out, during which a total of 308 articles were evaluated,
- certification of own brand products - 33 household chemistry HELP and SILIA products have been certified for compliance with the BRC CP standard; customers can recognize certified products due to the presence on the TÜV Nord logotype label - a proven product.

These activities confirmed the high and repeatable quality of the own brand products offered by the Eurocash Group. They also allowed to spot any shortcomings, which is why some producers lodged a complaint. Thanks to this information, they had the chance to improve their production and improve the quality of own brand products. In addition, it was possible to ensure labelling of own brand products with applicable law.

In 2019, the following was carried out:

- 119 audits of own brand suppliers,
- 1769 research on own brand products,
- 1003 verified and approved passports, labels and stickers.



### 7.5.5. Availability of products

There are also companies in the Eurocash Group that aim to improve the availability of products for customers and final consumers - they operate according to two different models.

The first is "abc on wheels" - a network of mobile stores. They reach distant places where there are no traditional shops in the area and the inhabitants - often the elderly or the disabled - are deprived of access to basic products. Thanks to "abc on wheels" they can choose from a wide range of items at reasonable prices. In this way Eurocash carries out its mission of social responsibility.

The second project is Eurocash.pl - the largest marketplace platform in Europe enabling access to a wide range of products. Currently, it offers over 11 000 articles that are delivered by over 600 partners. The platform also allows entities using it to become familiar with consumer preferences and then order selected products that will meet their needs. In this way, Eurocash strengthens the competitiveness of its customers. In the future, the platform will be one of the largest solutions of this type in the world and enable access to up to 400 000 articles.

### 7.6. We use less, we don't waste

Eurocash understands the need to care for the environment. The company has an environmental policy, and in its activities - as a leader in wholesale distribution of FMCG products on the Polish market - Eurocash strives to minimize its impact on the environment. This awareness of the importance of ecological issues means that in the current functioning and planned development of the Group, Company places emphasis on compliance with applicable regulations and standards regarding environmental protection, Eurocash takes into account local conditions as well as all environmental aspects. Issues related to care for the natural environment are also significantly included in Group's sustainable development strategy.

As part of improving the effects of environmental policy, the Eurocash Group has set the following goals:

- Compliance with all legal requirements and regulations in the field of environmental protection and impact on them, which relate to the activities of the Company,
- Systematic raising of ecological awareness of employees and partners, with particular emphasis on waste segregation and recycling,
- Prevention of environmental pollution, including reduction of waste and onerous emissions,
- Rational use of natural resources, including air, water, energy and fuels,
- Improving logistics technologies and processes so that on the one hand they are environmentally friendly, and on the other - meet the needs and expectations of current and future contractors, as well as other interested parties,
- Failure prevention,

- Initiating and promoting ecological activity among suppliers and customers.

#### **7.6.1. Green infrastructure**

The Eurocash Group runs a long-term "Green Infrastructure" program, which aims - as part of the infrastructure used - to reduce resource consumption and reduce harmful emissions. According to the "we start from each other" principle, in the reported period the "Green office" project was conducted for offices belonging to the Eurocash Group. It assumed such adaptation and restructuring of facilities managed by the company that each of them would receive the appropriate certificate. Certification requirements assume a holistic approach to planning and managing office space from the selection of office supplies, through waste management, to education of employees, i.e. office users. In 2019, Eurocash Group office in Warsaw obtained certification. By the end of 2020, green certification will be carried out in the other three locations, i.e. in Błonie, Komorniki and Kopanina. In this regard, Company cooperate with experts of the Foundation for Environmental Education.

An equally important aspect of the "Green Office" project - in addition to issues related to respect for the natural environment - is the improvement of our employees' working conditions. At Eurocash, we are aware that taking care of appropriate and friendly working conditions of our employees translates into measurable benefits for the company: greater efficiency, creativity and quality of work. This is also part of our sustainable development strategy.

#### **7.6.2. Green transport**

A hybrid revolution has been going on at Eurocash Group since 2017. It was the moment when Company bought the first 400 hybrid cars (segment B cars), in 2018 Eurocash completely withdrew from purchasing diesel cars. In 2019, Company decided that all cars in the B, C and D segments will be equipped with a hybrid drive - by the end of the year Eurocash fleet already had 970 such cars. The plan for 2020 assumes the purchase of another 400 cars from the B segment.

Building a green transport in Eurocash is not enough. The project also envisages - apart from gradually moving the entire hybrid fleet - educating drivers in the field of ecological driving style, which directly translates into the reduction of harmful emissions.

#### **7.6.3. We do not waste!**

Due to the business profile of Eurocash company, the idea of not wasting food is particularly important. By acting in this field, Eurocash not only support local communities but also try to spread this message to partners - food waste is a problem that has huge social, economic and environmental effects. The Eurocash Group has been cooperating with Food Banks in Poland for many years. In 2019, it continued this cooperation by providing products to its beneficiaries with a close expiry date. In the reported period, Company handed over to Food Banks 13 657.02 kilogram of food products.

Next year, Eurocash plans to develop cooperation with Caritas Polska and St. Brother Albert Towarzystwo Pomocy.

In addition, systemic changes are underway in the area of product inventory shifts enabling the transfer of food to non-governmental organizations.

#### 7.6.4. Emissions

**Table 30: Energy consumption in Eurocash S.A. in 2019**

Total Energy consumption		
Electric energy	MWh	43 403.87
Heat energy	GJ	37 726.00

**Table 31: Indirect emissions at Eurocash S.A. in 2019**

Indirect emissions (Scope 2) in tonnes (t) of CO2 equivalent	37 901.74
Including:	
From electricity	34 375.86
From heat energy	3 525.87

**Table 32: Direct emissions at Eurocash S.A. in 2019**

Direct emissions (scope 1) of gross greenhouse gases in tonnes (t) CO2 or equivalent unit	11 028.8
Including due to the type of emission source:	
Combustion in stationary sources	7141.0
Combustion volatile	3887.8

**Table 33: Fleet emissions at Eurocash Group in 2019**

	PB 95	ON	LPG	Total
Fuel consumption (liters)	3 452 661	6 004 935	21 926	9 479 523
CO2 emissions (tonnes)	8 044.70	16 033.18	32.67	24 110.55

#### 7.7. Eurocash Skills Academy

Learning, i.e. the ability and willingness to quickly develop and use further skills, is a key competence of the 21<sup>st</sup> century, the most desirable on the labour market (ManpowerGroup Report, 2019). In addition, every one PLN spent on training and employee development brings a return of 170% to the employer (Saratoga HC Benchmarking 2013).

Eurocash Skills Academy has been consistently implementing the mission of the Eurocash Group for around 10 years, strengthening the competitiveness of independent trade and thousands of Entrepreneurs running retail stores in Poland. By training store staff and the Entrepreneurs themselves (stakeholders of the Eurocash Group), it improves the quality of their businesses and provides them with constant access to current knowledge and modern solutions in trade.

Eurocash Skills Academy is the largest comprehensive educational and training program in Poland supporting Polish independent retail stores associated in franchise and partner networks of the

Eurocash Group (abc, Delikatesy Centrum, Euro Sklep, Gama, Groszek, Lewiatan, Duży Ben and Kontigo).

In addition, the Academy is the only training and educational institution in Poland that provides such broad access to knowledge about on-line and off-line retail trade, at various levels of competence and from each thematic area regarding store management.

Under the 4 pillars of the Academy, Entrepreneurs and their employees can benefit from a wide range of e-learning courses gathered on a modern educational platform (18 000 users), practical training workshops conducted throughout Poland (7 000 participants per year), the annual Congress of Polish Trade Entrepreneurs (5 000 participants per year) and post-graduate studies conducted in cooperation with the Warsaw School of Economics (about 70 students per year).

#### **Eurocash Skills Academy in numbers:**

- 10 years of experience,
- 79 thousands participants of all training forms,
- 38 thousands workshop participants throughout Poland,
- 23 thousands participants of annual educational conferences,
- 18 thousands users of a modern educational platform,
- 189 post-graduate and course students at Warsaw School of Economics,
- 71 e-learning courses (including 11 in Ukrainian language), 72 expert articles and 5 training and implementation sets for 5 workstations in the store on the Academy's educational platform,
- 44 instructional and training videos available on AUE TV - the first internet television in Poland for independent entrepreneurs,
- 18 workshop topics,
  - Congress of Polish Trade Entrepreneurs - the largest event for independent trade in Poland - and other educational conferences,
- 2 comprehensive qualification raising programs (post-graduate studies + course) conducted at the Warsaw School of Economics

#### **1<sup>st</sup> Pillar of the Academy – educational platform [www.akademiaeurocash.com.pl](http://www.akademiaeurocash.com.pl)**

The educational platform is available at [www.akademiaeurocash.com.pl](http://www.akademiaeurocash.com.pl). The new version of the website provides users with unlimited online access to over 70 e-learning courses on topics corresponding to the needs of grocery stores. Multimedia trainings placed on the platform combine lectures with the practical use of acquired knowledge. The courses cover all areas of the store's operation - from financial management, personnel, fresh departments, to customer service and merchandising. The offer of over 70 e-learning courses includes 11 conducted in Ukrainian.

In 2019, the Academy additionally launched AUE TV internet television, which gathered over 40 user-friendly e-trainings in the form of short and inspirational instructional videos. Ready and practical

training and implementation paths for 5 workstations in the store have also been introduced, which enable quick and comprehensive training of a new employee.

Thanks to the intuitive management panel, the store owner can independently control the progress of his employees' education on the Academy platform. Nearly 18 000 users are currently using the platform.

Since 2020, the Academy also regularly organizes free online trainings in the form of webinars, during which experts and lawyers in an accessible way tell Entrepreneurs about the latest changes in law. During webinars, participants can ask experts questions and get answers to them on an ongoing basis.

## **2<sup>nd</sup> Pillar of the Academy – workshops**

Workshops are a practical part of the training program implemented by the Eurocash Skills Academy. This is a great opportunity to supplement knowledge and develop skills. Each year, the Academy trains about 7 000 grocery store owners and employees from all grocery stores management areas in over 70 locations throughout Poland.

The most popular workshop topics:

- Meat and sausage stand,
- Customer service,
- Losses in the store,
- Personnel Management,
- Fruit and vegetables stand,
- Store profitability,
- Merchandising.

New – development workshops:

- Negotiations,
- Effective communication,
- Assertiveness,
- Managing yourself in time.

The Academy, in response to the needs of entrepreneurs, adjusts its offer to the situation on the labour market.

## **3<sup>rd</sup> Pillar of the Academy – educational conferences**

Substantive conferences are meetings of thousands of entrepreneurs from all over Poland, during which the participants deepen their knowledge about store management and learn about the latest trends and solutions in retail trade.

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 84
REPORT OF THE MANAGEMENT BOARD	

Every year in September, thousands of shop owners and employees from all over Poland gather at the largest event for independent trade in Poland: the Congress of Polish Trade Entrepreneurs. It is an opportunity to exchange experiences, meet recognized experts, learn about the latest trends in trade and get inspired to change. The 5<sup>th</sup> Congress of Polish Trade Entrepreneurs will take place on September 30<sup>th</sup>, 2020 at the Atlas Arena in Łódź.

Already over 23 000 people have participated in educational conferences organized by the Eurocash Group.

#### **4<sup>th</sup> Pillar of the Academy – postgraduate studies**

The Eurocash Skills Academy and the Warsaw School of Economics have been conducting since 2017 post-graduate “business management in retail trade”, unique program in Poland, during which Entrepreneurs and their employees gain knowledge and practical skills in modern business management. This is the first such studies in Poland for independent Entrepreneurs running retail stores and a unique example of public cooperation between universities and a representative of the FMCG sector - Eurocash Group. The study staff are outstanding experts, specialists and practitioners from various environments who know the market perfectly.

For people without higher education, the Academy has been conducting a training course at the Warsaw School of Economics since 2018: the Academy of Retail Trade Business Administration, which comprehensively develops the knowledge and skills of participants in store management.

Postgraduate studies and the course allow franchisees of the Eurocash Group only within a year to obtain comprehensive knowledge needed to develop their retail business. The program is adapted to the current requirements of Entrepreneurs and their consumers. After graduation, students are prepared for modern store management in accordance with current standards and market trends. In addition, study participants receive access to tools and knowledge previously reserved only for large, often international, hypermarket chains and discount stores. The form of passing the studies and the course is developing and defending the business plan of a specific project.

Postgraduate studies and a course at Warsaw School of Economics also contribute to changes in the perception of shopkeepers. The direction created by the Eurocash Group shows that running a store requires appropriate knowledge and also positions Polish Retail Entrepreneurs as representatives of a dynamically and rapidly developing field of the economy.

#### **Special programme for professional and trade schools: promotion of the sales profession**

According to the Central Statistical Office of Poland (GUS) data, every sixth employment offer in vocational schools, technical colleges, and post-secondary schools were intended for salesmen in 2019. Lack of hands for work is a burning problem for entrepreneurs running grocery stores. To help

franchisees of the Eurocash Group recruit skilled and motivated employees, the Academy has been developing, under the auspices of the Education Development Center, a project to promote the profession of seller among students of industry schools since 2018. The project aims to support young people in determining their professional predispositions and career path planning. It also responds to the need to develop cooperation between sectoral schools and employers - owners of grocery stores.

In 2019, the Eurocash Skills Academy joined the initiative of the European Commission and as part of the European Week of Vocational Skills held a series of meetings throughout the country that aimed to familiarize students of trade schools and technicians with the profession of seller. Academy experts, using coaching methods, helped young people discover their own interests, talents and professional skills. Students also had the opportunity to find out what prospects work in trade can give. In 2019, the Academy's experts visited a total of 15 schools throughout Poland, training nearly 550 students.

### **Project "Succession"**

There are about 2.3 million private companies, and 828 thousand are family businesses in Poland. According to the Family Business Institute, within 5 years 57% of family businesses will be subject of succession. This is an important issue for the whole economy. The Kantar TNS survey conducted among 2 thousand entrepreneurs in 2018 shows that 40% of them do not have a designated successor. Entrepreneurs have no knowledge of any other subject than the regular succession (the knowledge of the current legal status of succession is marginal). In response to that, Eurocash Academy of Skills has been spreading knowledge about succession through information meetings, conferences, e-training, expert articles, e-learning courses and webinars since 2018. Thanks to the information on how to safely and effectively carry out the succession of your own business, the Academy of Skills has reached over 8 thousand entrepreneurs.

### **7.8. Eurocash Group Foundation**

The Eurocash Group Foundation was established in 2013 in order to support young people in developing their potential and equalizing educational opportunities. Thanks to the "Fulfil your dreams" scholarship programme, the Foundation subsidizes young people who are recognized for their good academic performance, social sensitivity and proactive attitude to life "I want, I can" - and come from families with limited financial possibilities. The program is designed for high school students finishing their school leaving exams and for students.

Initially, the "Fulfil your dreams" scholarships could be granted to children of Eurocash Group employees. From 2014, children of franchise network employees and business partners of Eurocash Group could also apply for them.

An important assumption of the Program is to promote responsibility for one's development and an entrepreneurial outlook on life among young people: the scholarship is intended for educational

purposes, but it is the grantee himself/herself who decides how and on what activities he/she will spend it.

Scholarship program "Make your dreams come true":

- PLN 5 210 000, the amount of money invested in program since 2013,
- 868, the number of scholarships since 2013,
- 155, the number of scholarships in 2019,
- PLN 843 217, the amount invested in 2019.

**Table 34: Number of scholarships**

	EC	FB	Total
2013/2014	30	0	30
2014/2015	53	75	128
2015/2016	53	75	128
2016/2017	50	86	136
2017/2018	69	75	144
2018/2019	70	76	146
2019/2020	39	117	156
<b>Total</b>	<b>364</b>	<b>504</b>	<b>868</b>

EC = Eurocash Group's employees children

FB = franchise employees children

Foundation is fully financed by Eurocash Group. The Foundation authorities are volunteers.

Detailed information on non-financial issues can be found in the Eurocash Group Impact Report for 2019, which will be available at [www.grupaeurocash.pl](http://www.grupaeurocash.pl).



EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2019	Page 87
REPORT OF THE MANAGEMENT BOARD	

## 8. REPRESENTATIONS OF THE MANAGEMENT BOARD

### 8.1. Appointment of Entity Qualified to Audit Financial Statements

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

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

## APPENDIX: Financial Ratios Definitions

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

All financial ratios before IFRS16 were calculated without affecting the new accounting principles (IFRS 16) in order to maintain comparability with historical data.

## SIGNATURES OF MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President	Luis Amaral	12 <sup>th</sup> March 2020	
Management Board Member	Rui Amaral	12 <sup>th</sup> March 2020	
Management Board Member	Arnaldo Guerreiro	12 <sup>th</sup> March 2020	
Management Board Member	Pedro Martinho	12 <sup>th</sup> March 2020	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	12 <sup>th</sup> March 2020	
Management Board Member Financial Director	Jacek Owczarek	12 <sup>th</sup> March 2020	
Management Board Member	Przemysław Ciaś	12 <sup>th</sup> March 2020	
Management Board Member	Noel Collett	12 <sup>th</sup> March 2020	

## SELECTED SEPARATE FINANCIAL DATA

	for the period from 01.01.2019 to 31.12.2019 PLN	for the period from 01.01.2018 to 31.12.2018 PLN	for the period from 01.01.2019 to 31.12.2019 EUR	for the period from 01.01.2018 to 31.12.2018 EUR
Net sales	15 199 586 747	14 775 940 898	3 536 432 468	3 466 659 057
Operating profit (loss)	216 632 505	178 661 815	50 403 096	41 916 762
Profit (loss) before tax	207 878 034	194 006 583	48 366 225	45 516 877
Net Profit (loss) on continued operations	174 612 455	149 621 055	40 626 444	35 103 361
Net profit (loss)	174 612 455	149 621 055	40 626 444	35 103 361
Net operating cash flow	454 576 572	318 749 139	105 764 675	74 783 365
Net investment cash flow	(544 775 321)	(309 279 830)	(126 750 889)	(72 561 722)
Net financial cash flow	23 081 350	(27 058 407)	5 370 254	(6 348 311)
Net change in cash and cash equivalents	(67 117 399)	(17 589 098)	(15 615 961)	(4 126 668)
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)	1,25	1,08	0,29	0,25
Diluted EPS (in PLN / EUR)	1,25	1,08	0,29	0,25
Average PLN / EUR rate*			4,2980	4,2623
	as at 31.12.2019 PLN	as at 31.12.2018 PLN	as at 31.12.2019 EUR	as at 31.12.2018 EUR
Assets	6 600 468 248	5 354 939 292	1 549 951 449	1 245 334 719
Long-term liabilities	828 307 997	74 392 609	194 506 985	17 300 607
Short-term liabilities	4 688 063 068	4 229 679 808	1 100 871 919	983 646 467
Equity	1 084 097 183	1 050 866 874	254 572 545	244 387 645
Share capital	139 163 286	139 163 286	32 678 945	32 363 555
Number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Diluted number of shares	142 069 536	142 069 536	142 069 536	142 069 536
Book value per share (in PLN / EUR)	7,79	7,55	1,83	1,76
Diluted book value per share (in PLN / EUR)	7,63	7,40	1,79	1,72
Dividend paid (in PLN / EUR) ***	139 163 286	101 589 199	32 678 945	23 625 395
Dividend paid per share (in PLN / EUR)	1,00	0,73	0,23	0,17
PLN / EUR rate at the end of the period**			4,2585	4,3000

\* Profit and loss items and cash flow items calculated on basis at a weighted average rate announced by the National Bank of Poland for 2019 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.

\*\*\* Dividend for 2018 year was paid till 19 June 2019 for shareholders of Parent Company as at 9 May 2019.

## **INDEPENDENT AUDITOR'S REPORT ON THE AUDIT**

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

### **Audit report on the annual financial statements**

#### **Opinion**

We have audited the annual financial statements of Eurocash S.A. (the 'Company') located in Komorniki at Włśniowa 11, containing: the general information, the separate income statement and the separate statement of comprehensive income for the period from 1 January 2019 to 31 December 2019, the separate statement of financial position as at 31 December 2019, the separate statement of cash flows and the separate statement of changes in equity for the period from 1 January 2019 to 31 December 2019 and the summary of significant accounting policies and other explanatory notes (the 'financial statements').

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the period from 1 January 2019 to 31 December 2019 in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union and the adopted accounting policies,
- are in respect of the form and content in accordance with legal regulations governing the Company and the Company's Statute,
- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of the Accounting Act dated 29 September 1994 (the 'Accounting Act').

The opinion is consistent with the additional report to the Audit Committee issued on 12 March 2020.

## Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing in the version adopted as the National Auditing Standards by the National Council of Statutory Auditors ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the 'Regulation 537/2014'). Our responsibilities under those standards are further described in the '*Auditor's responsibilities for the audit of the financial statements*' section of our report.

We are independent of the Company in accordance with the Code of ethics for professional accountants, published by the International Federation of Accountants (the 'Code of ethics'), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. While conducting the audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and the Regulation 537/2014.

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

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
<b>Revenue recognition</b>  Eurocash S.A. presents in the financial statements revenues from sale in total amounting PLN 15,200 million.	Our audit procedures included understanding of the Company's revenue recognition accounting policies and assessment of compliance with IFRS 15 Revenue from Contracts with Customers, including

<p>The Company sells goods to multiple clients using several sales channels dispersed over business units within a couple operational segments. Revenue is measured taking into account discounts, incentives and rebates earned by customers. The revenue is one of the key performance indicators for the management. Due to the multitude and variety of contractual terms and markets that Company operates, the revenue recognition determinants such as estimation of discounts, incentives and rebates recognized based on sales, as well as assessment of potential returns, transfer of risks and rewards and determination whether the Company acts as agent or principal - are considered to be complex. Taking into account also the scale of revenues, we assessed that area as a key audit matter.</p> <p>The Company's disclosures are set out in point 2.27 of the accounting principles "Sales revenues" and note 27 "Sales revenues in the accounting period" to the financial statements.</p>	<p>identification of the contracts with customers and performance obligations within, as well as allocation of the transaction price to those performance obligations.</p> <p>We also assessed the Company's internal controls over sales process, timing and measurement of revenue recognition.</p> <p>We performed test of controls for selected, identified controls.</p> <p>We analyzed transactions taking place before and after the balance sheet date as well as credit notes and corrections issued after the year end date for the determination of revenue recognition period. We also gained understanding and analyzed key terms and conditions of the agreements with customers to assess whether amounts recognized as revenues were accurate and recognized in the correct period.</p> <p>We performed test of details, related to selected revenues accounts.</p> <p>We also considered the adequacy of the Company's disclosures in respect of revenue.</p>
<p><b>Recognition of bonuses, discounts and related settlements</b></p> <p>Eurocash S.A. presents in the financial statements costs of sales in total amounting PLN 13,398 million.</p> <p>The Company receives various types of vendor bonuses, discounts and price reductions. Those settlements are a significant component of cost of sales. Majority of them are settled during the financial year while as at 31 December 2019, the position not yet settled with vendors amounted to approximately PLN 412 million. Bonuses, discounts and related settlements were significant for our audit as recognition of the cost reductions and related settlements requires management's judgement, including the nature and level of the Company's obligations under the purchase contracts, estimates with respect to fulfillment of purchase and sales volumes at the balance sheet date, as well as allocation of the settlements between inventory and cost of</p>	<p>Our audit procedures included understanding of the Company's policies related to measurement of purchases and cost of sales and assessing compliance of those policies with applicable accounting standards.</p> <p>We also assessed the Company's internal controls over identification and measurement of contractually agreed obligations, and the allocation of them to inventory and cost of sales. We performed tests on transactions recorded during the year for contractual evidence on a sample basis. We also analyzed the amounts open to vendors at the balance sheet date, based on confirmations with vendors, recalculations made based on contractual terms confirmed by vendors or reconciled to post year-end settlements, as well as cut-off tests for obligation fulfillment at the balance sheet date. Moreover, we evaluated reliability of management's estimates on the basis of retrospective review of the subsequent</p>

<p>sales. Taking into account the scale of those settlements and complexity of the estimates, we assessed that area as a key audit matter.</p> <p>The relevant disclosures are set out in point 2.18 of the accounting principles “Trade receivables and other short-term receivables”, in point 2.24 of the accounting principles “Short-term liabilities”, in note 14 “Trade and other receivables” and note 21 “Trade and other payables” to the separate financial statements.</p>	<p>collections of settlements recognized in prior reporting period.</p> <p>We also considered the adequacy of the Company’s disclosures in respect of costs of sales and related settlements.</p>
<p><b>Impairment of investments, goodwill and other intangible assets</b></p> <p>At 31 December 2019, the carrying value of investments in subsidiaries and affiliates amounted to PLN 1,372 million and constituted 21% of the Company’s total assets as of that date. The carrying value of goodwill and other intangible assets, including trademarks with indefinite useful life amounted to PLN 1,739 million and constituted 27% of the Company’s total assets as of that date.</p> <p>The Company performed an impairment indicators analysis and tests for relevant assets based on their assessed recoverable amount.</p> <p>Process of impairment assessment is complex and requires significant management judgement, in particular related to forecasted revenues, costs and cash flows that depends on Group strategy, future growth rates and discount rates, which are affected by expected future market and economic conditions.</p> <p>The assessment of impairment of investments, goodwill and other intangible assets was significant to our audit due to their magnitude for the financial statements and as it involves judgment in making the significant assumptions related to cash flows forecasts.</p> <p>The Company’s disclosures about relevant impairment analysis are included in point 2.21 “Impairment of assets”, point 2.11 “Shares in</p>	<p>Our audit procedures included the understanding and evaluation of the impairment testing process, such as assessment of the management’s allocation of the goodwill to an appropriate cash generating units not higher than segment, as well as assessment of assumptions and methodology used by the Group to arrive at estimates and verification of mathematical accuracy of the underlying calculations. Our procedures included:</p> <ul style="list-style-type: none"> <li>- analysis of arithmetic accuracy of discounted cash flows model calculations and the reconciliation of the source data to current financial forecasts and budgets,</li> <li>- assessment of key assumptions and estimates of the model for the assessment of value in use, including assumptions related to the future cash flows and residual values after the detailed forecast period,</li> <li>- the comparison of applied discount and growth rates to the market benchmarks with support of our internal valuation specialists,</li> <li>- testing the sensitivity of the recoverable amount in the available headroom of the model considering what change in assumptions could cause the carrying amount of the relevant cash generating unit to which goodwill or other intangible assets were assigned, to exceed its recoverable amount</li> <li>- the comparison of actual result to forecasts prepared by Company.</li> </ul>



<p>subsidiaries”, note 3 “Goodwill and intangible assets”, note 8 “Investments in Subsidiaries” and note 9 „Investments in Associates and Joint Ventures” to the separate financial statements.</p>	<p>We have assessed the disclosures related to the impairment tests goodwill and other intangible assets, including disclosures on sensitivity analysis.</p>
<p><b>Uncertain tax positions</b></p> <p>The Company takes part in multiple transactions which may be subject to audit by tax authorities. Those include transactions with related parties, such as purchase/ sale of trade goods, restructuring within the Eurocash Group, purchase of shares and intangible assets like goodwill and trademarks.</p> <p>Effective from 15 July 2016, General Anti-Avoidance Rule (GAAR) was introduced to the polish tax law. GAAR is intended to prevent the creation and use of artificial legal arrangements to avoid payment of tax in Poland and is effective also with respect to transactions performed following its entry into force as well as transactions that were carried out before, but the benefits are being achieved after the date of its entry into force. Implementation of the above provisions results in increased scrutiny of tax authorities in relation to tax settlements, in particular in relation to group’s restructurings and reorganizations, contributions etc.</p> <p>Due to complexity of the tax regulations the process of interpretation of settlements between related parties is complicated and requires assumptions and judgments. Taking this into account, the interpretation taken by external authorities (including tax authorities), may differ from interpretation assumed by Management Board.</p> <p>In the current and previous reporting period, tax inspections and proceedings, including VAT and CIT, were initiated or lasted regarding the Company; the values associated with these tax audits are significant.</p> <p>Uncertainty of tax positions is related also to the complexity of the Eurocash S.A. Capital Group’s legal structure and changing tax environment in which the Company and other companies from the Eurocash Group operate.</p>	<p>We gained our understanding of the Company’s process of preparation of the tax settlements and the related accounting policy, and evaluated the identification of key tax issues related to the activity of the Company. We have also gained understanding of the rationale for the Management’s judgements made in relation to the uncertain tax positions, including reports of independent tax advisors. In particular, we evaluated the management’s assessment of uncertainty over tax treatments, for which relevant interpretations, rulings and decisions, income tax practices, tax authorities examinations results are taken into consideration.</p> <p>We obtained explanations from management and evidence including communication with tax authorities, relevant calculations and copies of external tax advice reports. We used our tax specialist to assist us in the evaluation of the Management’s judgments in the light of the tax law as well as current practice and legal interpretations.</p> <p>We assessed the management’s assumptions related to the determination of the liabilities and provisions recorded in the financial statements or the rationale for the lack of recognition of liabilities by obtaining written responses of the external tax advisors on the material tax exposures addressed to the Company.</p> <p>We assessed the disclosures related to the tax settlements, as well as Company’s uncertain tax positions.</p>

<p>Assessment of those uncertainties is complex and requires significant Management judgement in determining the corporate income tax and other tax provisions. Changes in assumptions of the positions that may be taken by tax authorities, can materially impact the level of tax liabilities included in the financial statements.</p> <p>The Company's disclosures about uncertain tax positions are included in point 2.32 of the accounting principles "Uncertainties related to tax settlements" and note 25 "Income tax" to the separate financial statements.</p>	
<p><b>First application of IFRS 16 "Leasing"</b></p> <p>FRS 16 'Leasing' ("IFRS 16") requires an analysis of contracts and business relationships, as well as a number of judgments and estimates related to determining, whether the contract is in terms of IFRS 16 and how it should be covered in accordance with that standard (i.a. determine the scope of application new standard, lease periods, minimum leasing payments or discount rates). Therefore, the quantity and variety of contracts and the fact that the Company applied this standard to prepared the attached financial statements for the first time, was considered the key audit matter.</p> <p>The Company's Management Board decided to implement IFRS 16 using a modified retrospective approach.</p> <p>As a result of the recognition of right-of-use assets and leasing liabilities, in connection with the first adoption of IFRS 16, there was an increase in the Company's assets reported in the statement of financial position by 861 million PLN as at 1 January 2019 compared to the data presented in the financial statements for the previous financial year.</p>	<p>As part of the audit of the financial statements, we analysed accounting policies for the recognition of contracts and business relationships falling within the scope of IFRS 16 and related relevant judgments and estimates, in particular regarding:</p> <ul style="list-style-type: none"> <li>- determining the scope of contracts subject to recognition determining the scope of contracts subject to recognition in accordance with IFRS 16;</li> <li>- the determination of minimum leasing payments;</li> <li>- term of leasing periods;</li> <li>- the determination of discount rates.</li> </ul> <p>In addition, our procedures also included, inter alia:</p> <ul style="list-style-type: none"> <li>- understanding the implementation process of IFRS 16, the understanding of the agreements within it and the assessment of key control mechanisms in this regard;</li> <li>- perform test of details for the sample of contracts to verify the accuracy of the parameters used for the calculation of the leasing liability and right-of-use assets;</li> <li>- analysis of the completeness of the identification of contracts falling within the scope of IFRS 16.</li> </ul> <p>In addition, we have assessed the adequacy of disclosures in financial statements with regard to the guidelines contained in IFRS 16, as well as on key judgments in the recognition of leasing contracts and</p>

<p>Disclosures relating to right-of-use assets and leasing liabilities related to the use of IFRS 16 are included in point 1.3 “Impact of new accounting standards on the Company’s financial statements” of general information, note 5 “Right-of-use assets”, note 24 “Lease liabilities” of additional information to the separate financial statements.</p> <p>Disclosures relating to relevant accounting policies for leasing, including key judgments and estimates, are included in the point 2.9 accounting principles “Leasing”.</p>	<p>the impact of the implementation of the new standard on the financial statements of the Company.</p>
<p><b>Activities regarding the reorganization of the Group structure</b></p> <p>Eurocash S.A. presents in the financial statements assets and liabilities resulting from the activities regarding the reorganization within Eurocash Group.</p> <p>In particular, in the reporting period the following transactions related to relocation of assets within the group have been undertaken:</p> <ul style="list-style-type: none"> <li>- purchase by Eurocash S.A. the intangible asset – distribution function from the subsidiary EKO Holding S.A., for PLN 87 million,</li> <li>- purchase by Eurocash S.A. the organized part of business from the subsidiary Delikatesy Centrum sp. z o.o., for PLN 359 million.</li> </ul> <p>Due to the complexity of the abovementioned transactions, as well as their significant scale as well estimates and judgements made by Management, we assessed that area as a key audit matter.</p> <p>The Company’s disclosures related to the transactions under common control are set out in point 2.34 “Mergers of jointly controlled entities” of the accounting principles, note 1 “Acquisition of shares in subsidiaries” and note 2 “Acquisition of organized part of business” to the separate financial statements.</p>	<p>Our audit procedures included understanding of the Company’s accounting policies related to intercompany transactions, in particular business combinations under common control, and assessment of compliance with IFRS.</p> <p>We also assessed the Company’s internal controls over the process of identification, recognition and valuation of intercompany transactions related to restructuring activities undertaken.</p> <p>We analyzed, presented to us, key provisions from contracts with related parties to evaluate, whether the assets and liabilities recognized within the abovementioned intercompany transactions were correct and have been recognized in the proper accounting period.</p> <p>We have assessed the Company’s judgments and estimates as to whether the transaction is a business or an asset acquisition.</p> <p>We analyzed mentioned intercompany transactions related to restructuring of Eurocash Group, taking into account their business substance, settlement and recognition in the accounting records (including the impact of deferred tax), being supported by our tax and business analysis and valuation specialists. We also reviewed the analysis and valuations made by the Management, who was supported by independent law specialists including tax laws, as well as valuation specialists, and whose competencies were also subject to our evaluation.</p>

	We also considered the adequacy of the Company's disclosures in respect of activities regarding the reorganization taking place, and relevant transactions.
--	---

### **Responsibilities of the Company's Management and members of the Supervisory Board for the financial statements**

The Company's Management is responsible for the preparation, based on properly maintained accounting records, the financial statements that give a true and fair view of the financial position and the financial performance in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union, the adopted accounting policies, other applicable laws, as well as the Company's Statute, and is also responsible for such internal control as determined is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, The Company's Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless The Company's Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act. The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibility for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in the aggregate, they could influence the economic decisions of the users taken on the basis of these financial statements.

In accordance with International Auditing Standard 320, section 5, the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Company nor effectiveness of conducting business matters now and in the future by the Company's Management.

Throughout the audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,
- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Company to cease to continue as a going concern,
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Other information, including the Directors' Report**

The other information comprises the Directors' Report for the period from 1 January 2019 to 31 December 2019, the representation on the corporate governance and the representation on preparation of the statement on non-financial information, mentioned in article 49b, section 1 of the Accounting Act as a separate element of the Directors' Report (jointly 'Other Information').

#### *Responsibilities of the Company's Management and members of the Supervisory Board*

The Company's Management is responsible for the preparation the Other Information in accordance with the law.

The Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report (with separate elements) meets the requirements of the Accounting Act.

#### *Auditor's responsibility*

Our opinion on the financial statements does not include the Other Information. In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the financial statements.

In addition, we are required to inform whether the Company has prepared the representation on non-financial information and to issue an opinion on whether the Company has included the required information in the representation on application of corporate governance.

### **Opinion on the Directors' Report**

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 70 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (the 'Decree on current and periodic information'),
- is consistent with the information contained in the financial statements.

Moreover, based on our knowledge of the Company and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

### **Opinion on the corporate governance application representation**

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Decree included in the representation on application of corporate governance is in accordance with applicable laws and information included in the financial statements.

### **Information on non-financial information**

In accordance with the Act on Statutory Auditors, we confirm, that the Company has prepared a statement on non-financial information mentioned in article 49b, section 1 of the Accounting Act as a separate element of the Directors' Report.

We have not performed any attestation procedures in respect to the statement on non-financial information and do not express any assurance in its respect.



### **Representation on the provision of non-audit services**

To the best of our knowledge and belief, we represent that services other than audits of the financial statements, which we have provided to the Company and its subsidiaries, are compliant with the laws and regulations applicable in Poland, and that we have not provided non-audit services, which are prohibited based on article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors. The non-audit services, which we have provided to the Company and its subsidiaries in the audited period, have been disclosed in the Directors' Report.

### **Appointment of the audit firm**

We were appointed for the audit of the Company's financial statements initially based on the resolution of Supervisory Board from 25 April 2017 and reappointed based on the resolution from 9 May 2019. The financial statements of the Company have been audited by us uninterruptedly starting from the financial year ended on 31 December 2017 i.e. for the past three consecutive years.

Warsaw, 12 March 2020

Key Certified Auditor

---

Robert Klimacki  
certified auditor  
no in the register: 90055

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



**EUROCASH S.A.**

**SEPARATE FINANCIAL STATEMENTS**

FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

**TRANSLATORS' EXPLANATORY NOTE**

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

KOMORNIKI, 12 March 2020

---

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2019</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All values are expressed in Polish zloty (unless indicated otherwise)</i>		

## CONTENTS

<b>General information .....</b>	<b>3</b>
<b>1. Information about the company.....</b>	<b>3</b>
<b>2. Bodies of the company.....</b>	<b>3</b>
<b>Separate income statement for the period from 01.01.2019 to 31.12.2019.....</b>	<b>5</b>
<b>Separate statement of comprehensive income for the period from 01.01.2019 to 31.12.2019.....</b>	<b>6</b>
<b>Separate statement of financial position as at 31.12.2019.....</b>	<b>7</b>
<b>Separate statement of cash flows for the period from 01.01.2019 to 31.12.2019 .....</b>	<b>9</b>
<b>Separate statement on changes in equity in the period from 01.01.2019 to 31.12.2019 .....</b>	<b>10</b>
<b>Notes to separate financial statements prepared for the period from 01.01.2019 to 31.12.2019.....</b>	<b>11</b>
<b>1. General information .....</b>	<b>11</b>
<b>2. Applied accounting policies.....</b>	<b>19</b>
<b>3. Notes to separate financial statements prepared for the period from 01.01.2019 to 31.12.2019 .....</b>	<b>41</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

## GENERAL INFORMATION

### 1. INFORMATION ABOUT THE COMPANY

#### NAME

EUROCASH Spółka Akcyjna ("Company")

#### REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

#### CORE BUSINESS

Non-specialized wholesale trade  
(PKD 4690Z)

#### REGISTRY COURT

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

#### PERIOD FOR WHICH THE COMPANY WAS ESTABLISHED

Indefinite

#### PERIOD COVERED BY THE FINANCIAL STATEMENTS

The reporting period started 1 January 2019 and ended 31 December 2019, and the comparable period is the period from 1 January 2018 to 31 December 2018.

The consolidated statement of financial position has been prepared as at 31 December 2019, and the comparative figures are presented as at 31 December 2018.

The Company prepared consolidated financial statements for the year ended on 31 December 2019, which was approved for publication on 13 March 2020.

### 2. BODIES OF THE COMPANY

#### 2.1. MANAGEMENT BOARD

As at 31 December 2019, the Company's Management Board consisted of the following members:

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2019</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All values are expressed in Polish zloty (unless indicated otherwise)</i>		

## 2.2. SUPERVISORY BOARD

As at 31 December 2019, the Company's Supervisory Board consisted of the following members:

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

## 2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

On 09 May 2019, according to the expiration of the term of office of the members of the Supervisory Board, new members were appointed.

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

## SEPARATE INCOME STATEMENT FOR THE PERIOD FROM 01.01.2019 TO 31.12.2019

	Note	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
<b>Sales</b>		<b>15 199 586 747</b>	<b>14 775 940 898</b>
Sales of goods	27	15 125 915 389	14 697 738 394
Sales of services	27	73 671 358	78 202 504
<b>Costs of sales</b>		<b>(13 397 819 502)</b>	<b>(13 026 365 679)</b>
Cost of goods and services sold		(13 397 819 502)	(13 026 365 679)
<b>Gross profit (loss)</b>		<b>1 801 767 244</b>	<b>1 749 575 219</b>
Selling expenses	28	(1 336 791 130)	(1 317 493 794)
General and administrative expenses	28	(280 595 044)	(263 675 008)
<b>Profit (loss) on sales</b>		<b>184 381 070</b>	<b>168 406 417</b>
Other operating income	29	56 036 225	41 874 022
Other operating expenses	29	(23 784 790)	(31 618 624)
<b>Operating profit (loss)</b>		<b>216 632 505</b>	<b>178 661 815</b>
Financial income	30	103 975 252	95 862 636
Financial costs	30	(112 729 724)	(80 517 868)
<b>Profit (loss) before tax</b>		<b>207 878 034</b>	<b>194 006 583</b>
Income tax expense	25	(33 265 578)	(44 385 528)
<b>Profit (loss) for the period</b>		<b>174 612 455</b>	<b>149 621 055</b>

### NET EARNINGS PER SHARE

	PLN / share	PLN / share
Net profit (loss)	174 612 455	149 621 055
Weighted average number of shares	139 163 286	139 163 286
Weighted average diluted number of shares	139 163 286	139 163 286
<b>Earnings per share</b>		
- basic	1,25	1,08
- diluted	1,25	1,08

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2019</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All values are expressed in Polish zloty (unless indicated otherwise)</i>		

## SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01.2019 TO 31.12.2019

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
<b>Profit (loss) for the period</b>	<b>174 612 455</b>	<b>149 621 055</b>
<b>Other comprehensive income (loss) for the period</b>	<b>2 310 742</b>	<b>(1 154 653)</b>
Items that may be subsequently reclassified to profit or loss:		
- The result on hedge accounting with the tax effect:	2 310 742	(1 154 653)
<b>Total comprehensive income (loss) for the period</b>	<b>176 923 197</b>	<b>148 466 403</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

## SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31.12.2019

	Note	as at 31.12.2019	as at 31.12.2018
<i>Assets</i>			
<b>Non-current assets (long-term)</b>		<b>4 549 573 989</b>	<b>3 222 629 262</b>
Goodwill	3	1 133 815 482	862 819 840
Intangible assets	3	604 997 749	523 056 721
Property, plant and equipment	4	448 955 881	447 770 647
Perpetual use	5	931 607 465	-
Investment real property	7	941 407	957 103
Investments in subsidiary companies	8	1 371 611 616	1 291 451 999
Investments in associates and joint ventures	9	42 793 025	40 586 757
Other long-term investments	10	6 671 728	45 932 683
Long-term receivables	11	6 939 199	9 298 123
Other long-term prepayments	12	1 240 436	755 389
<b>Current assets (short-term)</b>		<b>2 050 894 258</b>	<b>2 132 310 029</b>
Inventories	13	806 024 237	851 055 722
Trade receivables	14	1 122 074 335	1 083 188 629
Other short-term receivables	14	31 852 370	66 788 792
Other short-term investments	15	33 733 114	3 410 994
Short-term prepayments	16	26 233 625	29 771 917
Cash and cash equivalents	17	30 976 577	98 093 976
<b>Total assets</b>		<b>6 600 468 248</b>	<b>5 354 939 292</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

## SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31.12.2019

	Note	as at 31.12.2019	as at 31.12.2018
<i>Equity and liabilities</i>			
<b>Equity</b>		<b>1 084 097 183</b>	<b>1 050 866 874</b>
Share capital	18	139 163 286	139 163 286
Reserve capital		696 537 775	680 200 006
Valuation equity of hedging transactions		(5 327 688)	(7 638 430)
Retained earnings		253 723 810	239 142 012
Accumulated profit (loss) from previous years		79 111 355	89 520 957
Profit (loss) for the period		174 612 455	149 621 055
<b>Liabilities</b>		<b>5 516 371 065</b>	<b>4 304 072 417</b>
<b>Non-current liabilities</b>		<b>828 307 997</b>	<b>74 392 609</b>
Other long-term financial liabilities	23	38 415	281 330
Long-term lease liabilities	24	799 207 791	-
Other long-term liabilities	21	1 320 500	1 061 800
Deferred tax liabilities	26	24 001 976	69 767 245
Employee benefits	20	3 739 315	3 282 234
<b>Current liabilities</b>		<b>4 688 063 068</b>	<b>4 229 679 808</b>
Loans and borrowings	22	1 387 439 995	1 014 433 854
Other short-term financial liabilities	23	21 108 129	28 882 096
Short-term lease liabilities	24	148 262 586	-
Trade liabilities	21	2 870 981 863	2 887 356 977
Current tax liabilities	21	10 971 367	40 241 661
Other short-term payables	21	48 888 504	49 419 392
Current employee benefits	20	85 030 764	68 627 054
Provisions	20	115 379 861	140 718 774
<b>Total equity and liabilities</b>		<b>6 600 468 248</b>	<b>5 354 939 292</b>

## BOOK VALUE PER SHARE

		as at 31.12.2019	as at 31.12.2018
<b>Book value</b>		<b>1 084 097 183</b>	<b>1 050 866 874</b>
Number of shares		139 163 286	139 163 286
Diluted number of shares		141 963 286	142 069 536
<b>Book value per share</b>	<b>31</b>	<b>7,79</b>	<b>7,55</b>
<b>Diluted book value per share</b>	<b>31</b>	<b>7,64</b>	<b>7,40</b>



<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

## SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01.2019 TO 31.12.2019

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
<i>Cash flow from operating activities</i>		
<b>Profit (loss) before income tax</b>	<b>207 878 034</b>	<b>194 006 583</b>
<b>Adjustments for:</b>	<b>316 949 454</b>	<b>125 463 908</b>
Depreciation and amortization *	284 373 043	115 740 618
Equity-settled shared share-based payment transactions	5 880 000	5 880 000
(Gain) loss on sale of property, plant and equipment	6 216 730	5 947 462
Gain (loss) on exchange rates	(3 449 230)	-
Result on the sale of shares - subsidiaries	-	(63 207 255)
Interest expenses	104 101 825	73 550 140
Interest received	(5 247 839)	(6 595 217)
Dividend and remission of sales income	(74 925 076)	(5 851 841)
<b>Operating cash before changes in working capital</b>	<b>524 827 488</b>	<b>319 470 491</b>
Changes in inventories	82 317 405	37 634 186
Changes in receivables	(14 730 747)	160 548 744
Changes in payables	(55 712 998)	(178 718 781)
Changes in provisions and employee benefits	1 321 753	20 738 042
<b>Operating cash</b>	<b>538 022 900</b>	<b>359 672 681</b>
Interest received	3 458 302	3 330 895
Interest paid	(43 957 011)	(37 801 148)
Income tax paid	(42 947 619)	(6 453 289)
<b>Net cash from operating activities</b>	<b>454 576 572</b>	<b>318 749 139</b>
<i>Cash flow from investing activities</i>		
Acquisition of intangible assets	(125 573 020)	(26 116 081)
Proceeds from sale of intangible assets	348 440	-
Acquisition of property, plant and equipment	(77 143 944)	(62 654 972)
Proceeds from sale of property, plant and equipment	2 671 092	5 851 277
Acquisition of an organized part of the enterprise **	(359 305 000)	-
Income/expenses on other short-term financial assets	(3 627 160)	42 765 624
Acquisition of subsidiaries, net of cash acquired	(71 478 811)	(360 588 801)
Proceeds from the sale of shares and stocks - subsidiaries	-	85 605 000
Loans granted	(2 686 370)	(3 263 004)
Repayment received of granted loans	15 510 236	918 672
Interest received	1 584 139	2 350 614
Dividends received	74 925 076	5 851 841
<b>Net cash from investing activities</b>	<b>(544 775 321)</b>	<b>(309 279 830)</b>
<i>Cash flows from financing activities</i>		
Income/expenses for other financial liabilities	(3 290 365)	1 741 224
Income/expenses for short term debt securities	-	(219 533 443)
Proceeds from loans and borrowings	373 006 296	322 584 210
Payment of finance lease liabilities	(145 143 837)	(1 508 439)
Other interest	(34 765 219)	(3 185 536)
Interests on loans and borrowings	(27 562 239)	(25 567 226)
Dividends paid	(139 163 286)	(101 589 199)
<b>Net cash used in financing activities</b>	<b>23 081 350</b>	<b>(27 058 407)</b>
<b>Net change in cash and cash equivalents</b>	<b>(67 117 399)</b>	<b>(17 589 098)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>98 093 976</b>	<b>115 683 074</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>30 976 577</b>	<b>98 093 976</b>

\* Note 28

\*\* Note 2

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2019</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

## SEPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 01.01.2019 TO 31.12.2019

	Share capital	Reserve capital	Hedge reserve	Retained earnings	Total
<i>Changes in equity in the period from 01.01 to 31.12.2018</i>					
<b>Balance as at 1 January 2018</b>	<b>139 163 286</b>	<b>847 622 292</b>	<b>(6 483 777)</b>	<b>17 807 869</b>	<b>998 109 670</b>
Profit (loss) for the period from 01.01. to 31.12.2018	-	-	-	149 621 055	<b>149 621 055</b>
Other comprehensive income for the period 01.01 to 31.12.2018	-	-	(1 154 653)	-	<b>(1 154 653)</b>
<b>Total comprehensive income for the period from 01.01. to 31.12.2018</b>	-	-	<b>(1 154 653)</b>	<b>149 621 055</b>	<b>148 466 403</b>
Dividends	-	(101 589 199)	-	-	(101 589 199)
Equity-settled share based payment transactions	-	5 880 000	-	-	<b>5 880 000</b>
Retained earnings	-	(71 713 088)	-	71 713 088	-
<b>Total transaction with Owners of the Company recognized directly in equity</b>	-	<b>(167 422 287)</b>	-	<b>71 713 088</b>	<b>(95 709 199)</b>
<b>Balance as at 31.12.2018</b>	<b>139 163 286</b>	<b>680 200 006</b>	<b>(7 638 430)</b>	<b>239 142 012</b>	<b>1 050 866 874</b>

### *Changes in equity in the period from 01.01. to 31.12.2019*

<b>Balance as at 01 January 2019</b>	<b>139 163 286</b>	<b>680 200 006</b>	<b>(7 638 430)</b>	<b>239 142 012</b>	<b>1 050 866 874</b>
Profit (loss) for the period from 01.01 to 31.12.2019	-	-	-	174 612 455	<b>174 612 455</b>
Other comprehensive income for the period 01.01 to 31.12.2019	-	-	2 310 742	-	<b>2 310 742</b>
<b>Total comprehensive income for the period from 01.01. to 31.12.2019</b>	-	-	<b>2 310 742</b>	<b>174 612 455</b>	<b>176 923 197</b>
Dividends	-	-	-	(139 163 286)	<b>(139 163 286)</b>
Transfer to reserve capital	-	10 457 769	-	(10 457 769)	-
Equity-settled share based payment transactions	-	5 880 000	-	-	<b>5 880 000</b>
ZCP Acquisition ***	-	-	-	(9 096 679)	<b>(9 096 679)</b>
Other	-	-	-	(1 312 923)	<b>(1 312 923)</b>
<b>Balance as at 31.12.2019</b>	<b>139 163 286</b>	<b>696 537 775</b>	<b>(5 327 688)</b>	<b>253 723 810</b>	<b>1 084 097 183</b>

\*\* Note 2

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTES TO SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2019 TO 31.12.2019

### 1. GENERAL INFORMATION

#### 1.1. PUBLICATION OF THE FINANCIAL STATEMENT

According to the resolution of the Management Board dated 12 March 2020, separate financial statements of Eurocash S.A. for the period from 1 January 2019 to 31 December 2019 were authorized for publication.

According to the information included in current report no.1/2019, dated 10 January 2020, sent to the Polish Financial Supervision Authority, Eurocash S.A. publishes its separate financial statements on 13 March 2020.

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

#### 1.2. STATEMENT OF COMPLIANCE

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU IFRS"). As at the date of approval of this report for publication, taking into account the ongoing process of introducing IFRS in the European Union, the IFRS applicable to this financial statement do not differ from EU IFRS.

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

The Company applied for the first time IFRS 16 Leasing ("IFRS 16"). Other new or changed standards and interpretations that apply for the first time in 2019 have no material impact on the Company's financial statements.

##### Implementation of IFRS 16

In January 2016, the International Accounting Standards Board issued International Financial Reporting Standard 16 Leasing ("IFRS 16"), which replaced IAS 17 Leasing, IFRIC 4 Determining whether the contract includes leasing, SKI 15 Operating leases - special promotional offers and SKI 27 Substance assessment transactions using the form of leasing. IFRS 16 sets out the accounting principles for leasing in terms of valuation, presentation and disclosure.

IFRS 16 introduces a single model of the lessees accounting and requires the lessee to recognize assets and liabilities resulting from each lease with a period exceeding 12 months, unless the underlying asset is of low value. On the date of the commencement, the lessee recognizes an asset component due to the right of use of the underlying asset and a lease liability that reflects his obligation to make lease payments.

The lessee separately recognizes depreciation of the asset component under the right of use and interest on the lease liability.

The lessee updates the valuation of the lease liability after the occurrence of certain events (eg changes in the leasing period, changes in future lease payments resulting from the change in the index or the rate used to determine these charges). In principle, the lessee recognizes the revaluation of the lease liability as an adjustment to the asset's value due to the right of use.

The Company is a lessee, mainly in the case of lease agreements for rental and means of transport.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Lessor accounting in accordance with IFRS 16 remains substantially unchanged from current accounting in accordance with IAS 17. A lessor will continue to recognize all lease agreements using the same classification principles as in IAS 17, distinguishing between operating leases and financial leasing.

IFRS 16 requires wider disclosures from both the lessee and the lessor than in the case of IAS 17.

The lessee has the right to choose a full or modified retrospective approach, and the transitional provisions provide for some practical solutions.

IFRS 16 is effective for annual periods beginning on January 1, 2019 and later. Earlier application is permitted for entities that apply IFRS 15 from or before the first application of IFRS 16. The Company has not decided to apply IFRS 16 earlier.

The Company has implemented IFRS 16 using a modified retrospective method.

The Company has benefited from the exemption regarding short-term leases.

The analysis of the Company's agreements in terms of IFRS 16 began by determining which contracts are under the definition of a lease. Lease liabilities are recognized at the value of discounted future payments during the lease term and the asset due to the right of use - in the same amount corrected by the amount of any prepayments or calculated lease payments recognized in the statement of financial position before the date of first application. Lease payments are discounted using the lesser interest rate of the lessee on the date of the first application, determined for individual leasing segments depending on their period and the type of the asset being leased.

The date of start of the leasing period is the date on which the lessor makes the asset available for use by the lessee. The leasing period includes the period during which the lessee is entitled to use, along with optional periods, when the Company may with reasonable assurance assume that it will exercise the option of extending or will not use the option of termination. In the case of establishing periods of contracts concluded for an indefinite period, the Company applied the criteria of sufficient certainty and took into account all relevant facts and circumstances, including business plans.

In the table below, the Group presented the reconciliation of lease liabilities under IAS 17 as at 31 December 2018, and the liability estimated as at 1 January 2019 in accordance with IFRS 16:

Lease liabilities	
<b>Finance lease liabilities as at 31 December 2018 (IAS 17)</b>	<b>1 874 590</b>
<b>Liabilities (and their changes) not included in the statement of financial position as at 31 December 2018:</b>	<b>861 323 545</b>
Liabilities under operating lease agreements as at 31 December 2018:	1 031 020 741
Change in the method of recognition of contracts for an indefinite period	5 834 648
The value of the discount using the marginal discount rate	(175 531 845)
<b>Lease liabilities as at 01 January 2019</b>	<b>863 198 134</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

IFRS 16 impact on separate statement of financial position as at 01.01.2019:

	Data before impact of IFRS 16 as at 01.01.2019	Impact of IFRS 16 as at 01.01.2019	Data after impact of IFRS 16 as at 01.01.2019
<b>Assets</b>			
<b>Non-current assets (long-term)</b>	<b>3 222 629 262</b>	<b>861 323 545</b>	<b>4 083 952 807</b>
Property, plant and equipment	447 770 647	(1 024 668)	446 745 986
Right of use assets	-	862 348 213	862 348 213
<b>Current assets (short-term)</b>	<b>2 132 310 029</b>	<b>-</b>	<b>2 132 310 029</b>
<b>Total assets</b>	<b>5 354 939 292</b>	<b>861 323 545</b>	<b>6 216 262 836</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>1 050 866 874</b>	<b>-</b>	<b>1 050 866 874</b>
<b>Liabilities</b>	<b>4 304 072 417</b>	<b>861 323 545</b>	<b>5 165 395 962</b>
<b>Non-current liabilities</b>	<b>74 392 609</b>	<b>736 448 767</b>	<b>810 841 376</b>
Other long-term financial liabilities	281 330	(281 330)	-
Long-term lease liabilities	-	736 730 097	736 730 097
<b>Current liabilities</b>	<b>4 229 679 808</b>	<b>124 874 778</b>	<b>4 354 554 586</b>
Short-term financial liabilities	28 882 096	(1 593 260)	27 288 836
Short-term lease liabilities	-	126 468 038	126 468 038
<b>Total equity and liabilities</b>	<b>5 354 939 292</b>	<b>861 323 545</b>	<b>6 216 262 836</b>

IFRS 16 impact on separate income statement for the period 01.01.2019 – 31.12.2019:

	Data before impact of IFRS 16 for the period from 01.01.2019 to 31.12.2019	Impact of IFRS 16 for the period from 01.01.2019 to 31.12.2019	Data after impact of IFRS 16 for the period from 01.01.2019 to 31.12.2019
<b>Gross profit (loss)</b>	<b>1 801 767 244</b>	<b>-</b>	<b>1 801 767 244</b>
Selling expenses	(1 353 268 838)	16 477 707	(1 336 791 130)
General and administrative expenses	(281 199 044)	604 000	(280 595 044)
<b>Profit (loss) on sales</b>	<b>167 299 363</b>	<b>17 081 707</b>	<b>184 381 070</b>
Other operating income	55 953 260	82 965	56 036 225
<b>Operating profit (loss)</b>	<b>199 467 832</b>	<b>17 164 673</b>	<b>216 632 505</b>
Financial income	100 526 023	3 449 230	103 975 252
Financial costs	(79 964 114)	(32 765 609)	(112 729 724)
<b>Profit (loss) before tax</b>	<b>220 029 741</b>	<b>(12 151 707)</b>	<b>207 878 034</b>
Income tax expense	(35 574 403)	2 308 824	(33 265 578)
<b>Profit (loss) for the period</b>	<b>184 455 338</b>	<b>(9 842 883)</b>	<b>174 612 455</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

IFRS 16 impact on separate statement of financial position as at 31.12.2019:

	Data before impact of IFRS 16 as at 31.12.2019	Impact of IFRS 16 as at 31.12.2019	Data after impact of IFRS 16 as at 31.12.2019
<b>Assets</b>			
<b>Non-current assets (long-term)</b>	<b>3 618 643 948</b>	<b>930 930 041</b>	<b>4 549 573 989</b>
Property, plant and equipment	449 633 305	(677 424)	448 955 881
Perpetual use	-	931 607 465	931 607 465
<b>Current assets (short-term)</b>	<b>2 050 894 258</b>	<b>-</b>	<b>2 050 894 258</b>
<b>Total assets</b>	<b>5 669 538 207</b>	<b>930 930 041</b>	<b>6 600 468 248</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>1 093 940 065</b>	<b>(9 842 883)</b>	<b>1 084 097 183</b>
Retained earnings	263 566 693	(9 842 883)	253 723 810
Profit (loss) for the period	184 455 338	(9 842 883)	174 612 455
<b>Liabilities</b>	<b>4 575 598 141</b>	<b>940 772 924</b>	<b>5 516 371 065</b>
<b>Non-current liabilities</b>	<b>31 762 333</b>	<b>796 545 665</b>	<b>828 307 997</b>
Other long-term financial liabilities	391 717	(353 302)	38 415
Long-term lease liabilities	-	799 207 791	799 207 791
Deferred tax liabilities	26 310 801	(2 308 824)	24 001 976
<b>Current liabilities</b>	<b>4 543 835 808</b>	<b>144 227 259</b>	<b>4 688 063 068</b>
Other short-term financial liabilities	22 313 542	(1 205 414)	21 108 129
Short-term lease liabilities	-	148 262 586	148 262 586
Provisions	118 209 773	(2 829 913)	115 379 861
<b>Total equity and liabilities</b>	<b>5 669 538 207</b>	<b>930 930 041</b>	<b>6 600 468 248</b>

IFRS 16 impact on lease liabilities in separate financial statements:

IFRS 16 impact on lease liabilities as at 31.12.2019	945 911 661
IFRS 16 impact on lease liabilities as at 01.01.2019	861 323 545
<b>Changes in period from 01.01.2019 to 31.12.2019</b>	<b>84 588 116</b>
New agreements	165 697 578
Agreements changes	63 500 003
- due to change of conditions	66 949 233
- due to change of exchange rates	-3 449 230
Change of liabilities	-144 609 465

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

IFRS 16 impact on separate statement of cash flows for the period 01.01 - 31.12.2019:

	Data before impact of IFRS 16 for the period from 01.01.2019 to 31.12.2019	Impact of IFRS 16 for the period from 01.01.2019 to 31.12.2019	Data after impact of IFRS 16 for the period from 01.01.2019 to 31.12.2019
<i>Cash flow from operating activities</i>			
<b>Profit (loss) before income tax</b>	<b>220 029 741</b>	<b>(12 151 707)</b>	<b>207 878 034</b>
<b>Adjustments for:</b>	<b>127 444 275</b>	<b>189 505 179</b>	<b>316 949 454</b>
Depreciation and amortization	124 101 278	160 271 765	284 373 043
(Gain) loss on sale of property, plant and equipment	6 299 695	(82 965)	6 216 730
Gain (loss) on exchange rates	-	(3 449 230)	(3 449 230)
Interest expenses	71 336 216	32 765 609	104 101 825
<b>Operating cash before changes in working capital</b>	<b>347 474 015</b>	<b>177 353 472</b>	<b>524 827 488</b>
<b>Operating cash</b>	<b>360 669 428</b>	<b>177 353 472</b>	<b>538 022 900</b>
<b>Net cash from operating activities</b>	<b>277 223 099</b>	<b>177 353 472</b>	<b>454 576 572</b>
<i>Cash flow from investing activities</i>			
<b>Net cash from investing activities</b>	<b>(544 775 321)</b>	<b>-</b>	<b>(544 775 321)</b>
<i>Cash flows from financing activities</i>			
Payment of lease liabilities	(555 974)	(144 587 863)	(145 143 837)
Other interest	(1 999 609)	(32 765 609)	(34 765 219)
<b>Net cash used in financing activities</b>	<b>200 434 823</b>	<b>(177 353 472)</b>	<b>23 081 350</b>
<b>Net change in cash and cash equivalents</b>	<b>(67 117 399)</b>	<b>-</b>	<b>(67 117 399)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>98 093 976</b>	<b>-</b>	<b>98 093 976</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>30 976 577</b>	<b>-</b>	<b>30 976 577</b>

Due to leasing contracts, due to IFRS 16 Leasing, the Company repaid the capital and interest with a total value of PLN 177,353,472.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## Other

Other changes that do not have a material impact on the Company's financial statements are as follows:

### a) IFRIC Interpretation 23 *Uncertainty Related to Income Tax Recognition*

The interpretation explains how to recognize and measure income tax in accordance with IAS 12, if there is uncertainty about its recognition. It does not apply to taxes or fees that do not fall within the scope of IAS 12, and doesn't cover interest and penalty requirements related to the uncertain recognition of income tax. The interpretation applies in particular to:

- separate consideration of uncertain tax treatment by the entity;
- assumptions made by the entity regarding the control of tax treatment by tax authorities;
- the manner in which the entity determines taxable income (tax loss), the tax base, unused tax losses, unused tax credits and tax rates;
- the manner in which the entity reflects changes in facts and circumstances.

An entity must determine whether it considers each uncertain tax treatment separately or in combination with one or more other uncertain tax treatment. An approach should be followed which better provides for resolution of uncertainty.

### b) Amendments to IFRS 9: Early repayments with negative compensation

### c) Amendments to IAS 19: Amendment, restriction or settlement of the program

### d) Amendments to IAS 28: Long-term shares in associates and joint ventures

### e) Changes resulting from the review of IFRS 2015-2017:

- IFRS 3 Business Combinations - for multi-stage acquisitions,
- IFRS 11 Joint Arrangements - in terms of obtaining joint control over joint operations,
- IAS 12 Income Taxes - regarding the tax consequences of dividends,
- IAS 23 Borrowing costs.

The amendments specify that the entity treats all loans originally contracted to produce a qualifying asset as part of general loans when, in principle, all the activities necessary to prepare the asset for its intended use or sale are completed.

The Company has not decided to apply earlier any standard, interpretation or amendment that has been published, but has not yet entered into force in the light of European Union regulations.

## The following standards and interpretations have been published by the International Accounting Standards Board, but have not yet entered into force:

- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – effective for financial years beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) – the effective date was deferred indefinitely by IASB;
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) – effective for financial years beginning on or after 1 January 2021;
- *Amendments to References to the Conceptual Framework in IFRS Standards* (issued on 29 March 2018) – effective for financial years beginning on or after 1 January 2020;
- Amendments to IFRS 3 *Business Combinations* (issued on 22 October 2018) - effective for financial years beginning on or after 1 January 2020;
- Amendments to IAS 1 and IAS 8: *Definition of Material* (issued on 31 October 2018) – effective for financial years beginning on or after 1 January 2020;



<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest Rate Benchmark Reform* (issued on 26 September 2019) – effective for financial years beginning on or after 1 January 2020;
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020)– effective for financial years beginning on or after 1 January 2022.

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

#### 1.4. FUNCTIONAL AND PRESENTATION CURRENCY ROUNDINGS

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

#### 1.5. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with UE IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are made based on historical experience and other factors accepted as reasonable in given circumstances, and the results of estimates and judgments are a basis for the determination of the carrying value of assets and liabilities not resulting directly from other sources. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The most significant estimates are related to allocation of the acquisition price of the companies, impairment of assets and reserves, which are described in Note 6, 8, 9, 20.

The Company prepared tests for impairment of trademarks and goodwill. This required an estimate of the value in use of the cash generating unit to which goodwill and trademarks are allocated. Estimating value in use consists in determining future cash flows generated by the cash generating unit and requires determining the discount rate to be used to calculate the current value of these flows.

The application of IFRS 15 requires making subjective judgments and estimates, which significantly affect the determination of the amount and date of revenue recognition. A significant judgment is presented in p. 2.27.

The application of IFRS 16 requires making various judgments, including determining which contracts fall under the definition of a lease, which parameters should be used to value the lease liability and whether there are premises indicating the need to reassess the lease period or the discount rate. A significant description regarding the recognition of lease contracts is presented in p. 1.3.

For contracts concluded for an indefinite period, the Company's Management Board makes a judgment to determine with sufficient certainty the duration of the contract.

The right to use in the Company is amortized on a straight-line basis. If, as part of the leasing contract, ownership of the underlying asset is transferred to the Company at the end of the leasing period, or if the valuation of the leasing liability takes into account that the

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Company will use the call option, the Company depreciates the asset from the right of use, starting from the start date of the underlying asset's useful life until the end. Otherwise, the Company depreciates an asset due to the right of use from the date of the lease to the end of the asset's useful life or to the end of the lease, whichever is earlier.

The Company assesses at each balance sheet date whether there is objective evidence that may indicate impairment of a given asset under the right to use. To estimate the possible impairment of assets due to the right of use, the Company applies the provisions of IAS 36 Impairment of Assets.

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

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

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.

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

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.

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

#### **1.6. COMPARABILITY OF FINANCIAL STATEMENTS**

The accounting policies applied in the preparation of the attached financial statements are consistent with those applied in the preparation of the financial statements of the Company for the year ended 31 December 2019, except for the below amendments. These changes were applied in the attached financial statements on their effective date and had no significant impact on the disclosed financial information, or did not apply to the Company's transactions.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

### 1.7. GOING CONCERN

The financial statements were prepared under the assumption that the Company would continue to operate as a going concern for the foreseeable future. As at the date of approval of these financial statements, there are no circumstances indicating a threat to the Company's ability to continue as a going concern, as described in details in note 34.

As at 31 December 2019, there was a surplus of the Group's current liabilities over its current assets in the amount of approximately PLN 2.6 billion (as at 31 December 2018 the difference was about PLN 2.0 billion), which is typical for the industry in which companies operate from Group. The Company actively uses the trade credit and financial instruments available on the market to finance the current operations of the Company. The main goal is to optimize the Company's operating results while maintaining liquidity. The Management Board of the Company assumes that the existing financing options available to the Company today will not be deteriorated or limited. A more complete description of financial risk management, including available financial instruments, is presented in note 36.

In addition, in September 2020 the final repayment date for the revolving loan in the amount of PLN 700 million is due. The company has taken steps to refinance it and in accordance with the schedule set by the Company's Management Board by the end of the third quarter of 2020, the loan will be replaced by a new revolving line with a similar limit and a maturity of not less than 3 years.

These financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of approval of these financial statements, there are no circumstances indicating a threat to the Company's continuing as a going concern.

## 2. APPLIED ACCOUNTING POLICIES

### 2.1. ACCOUNTING POLICIES

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

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

The most significant accounting policies applied by Eurocash S.A. are presented in points 2.2 through 2.35.

### 2.2. FINANCIAL YEAR

The Company's financial year is a calendar year.

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

In particular, the separate financial statements consist of:

- General information

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

## 2.4. FOREIGN CURRENCY TRANSACTIONS

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

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

The rates below have been adopted for the balance sheet valuation:

	31.12.2019	31.12.2018
EUR	4,2585	4,3000

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

## 2.5. INTANGIBLE ASSETS

### Definition

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

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

### Initial measurement of goodwill

Goodwill on acquisition of an entity is initially recognized at the purchase price being the amount of the excess of the sum of payment transferred and the amount of any non-controlling interest in the acquired entity and in case of a business combination being carried out in levels of fair value as at the date of acquisition of the interest in the acquired entity

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

previously belonging to the acquiring entity over net fair value determined as at the date of acquisition of the identifiable assets acquired, liabilities assumed and contingent liabilities assumed.

#### **Further recognition of goodwill**

After initial recognition, goodwill is recognized at purchase price minus any accumulated impairment losses. The impairment test is carried out once a year or more frequently if there are indications to do it. Goodwill is not depreciated.

As at the acquisition date, the acquired goodwill is allocated to each of the cash-generating units that may benefit from the combination synergy. Each center or group of centers to which goodwill has been assigned:

- corresponds to the lowest level in the Company at which goodwill is monitored for internal management needs, and
- is not greater than one operating segment determined in accordance with IFRS 8 *Operating segments*.

An impairment is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill has been allocated. If the recoverable value of the cash-generating unit is lower than the carrying amount, an impairment is recognized. If goodwill is part of a cash-generating unit and a part of the business is sold within this center, when determining the profit or loss on the sale of such business, goodwill related to the business sold is included in its carrying amount. In such circumstances, the goodwill sold is determined based on the relative value of the operations sold and the value of the portion of the cash-generating unit retained.

#### **Initial measurement of intangible assets**

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

#### **Amortization**

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

The following amortization rates are adopted for intangible assets:

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

#### **Review of amortization rates and possible impairment**

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

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

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

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

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

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

### **Definition**

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

Property, plant and equipment shall include in particular:

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

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

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

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

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

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

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

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

### **Subsequent expenditure**

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

Each component of property, plant and equipment items whose acquisition price is material in comparison with the purchase price of the entire item is depreciated separately.

### Depreciation

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

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

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

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

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

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

### Review of depreciation rates and possible impairment

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

Not later than by the end of the financial year, tangible fixed assets are reviewed in terms of existence of indications of impairment and potential need for writing off impairment losses.

Impairment is deemed necessary to be written off when it is highly probable that the given asset will not yield anticipated economic benefits in the future, in its major part or in its entirety, e.g. in case of liquidation or withdrawal of the asset from use.

Impairment losses are carried to other operating expenses no later than at the reporting date (i.e. for the period when the impairment loss was determined).

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

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

Tangible fixed assets under construction which are being produced for the purpose of use in operations are presented in the financial statements at production cost less impairment

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

losses. Production cost includes charges and borrowing costs (for certain assets), capitalized in accordance with the accounting policy specified in section 2.7.

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

Stocktaking of tangible fixed assets is performed every four years.

### **2.7. ASSETS DUE TO RIGHT OF USE**

The Company recognizes assets due to the right of use on the date of beginning of the lease (the day when the asset is available for use). Assets due to the right to use are valued at cost, minus total depreciation and impairment losses, adjusted for any revaluation of lease liabilities. The cost of assets due to the right to use includes the amount of lease liabilities recognized, initial direct costs incurred and any lease payments paid on or before the start date, minus any leasing incentives received. Unless the Company has sufficient certainty that at the end of the lease period it will obtain the ownership title to the leased asset, recognized assets under the right to use are amortized using the straight-line method over the shorter of the two periods: estimated useful life or lease period. Assets due to the right to use are subject to impairment tests.

### **2.8. BORROWING COSTS**

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

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

### **2.9. LEASES**

#### **Accounting policy used till 31.12.2018**

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

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

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

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

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

Minimum lease payments made under finance leases are apportioned between finance costs and reduction of outstanding debt. The finance expense is allocated to each period



<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

during the lease term so as to produce a fixed periodic rate of interest on the outstanding balance of the liability.

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

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

#### **Accounting policy used from 01.01.2019.**

The Company assesses at the signing the agreement whether the contract is a lease or contains a lease. The agreement is a lease or contains a lease if it transfers the right to control the use of the identified asset for a given period in exchange for remuneration.

The Company applies a uniform approach to the recognition and measurement of all leases, except for short-term leases and leasing of low-value assets. As at the commencement date of the lease, the Company recognizes an asset under the right to use and a liability under the lease.

### **2.10. INVESTMENT PROPERTY**

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

Investment property items are initially measured at acquisition price or production cost, after transaction closing costs. As at the reporting date, investment property is measured at the acquisition price or production cost less accumulated depreciation and any accumulated impairment losses, calculated according to the rules applicable to tangible fixed assets.

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

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

If there is evidence of impairment in respect of investments in subsidiaries, the Company performs tests for impairment, for which investments in subsidiaries are represented by assets and liabilities controlled by the Company. When determining the value in use, the Company takes into account the cash flows generated by the assets and liabilities held by subsidiaries.

### **2.12. LONG-TERM RECEIVABLES**

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

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

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

#### **Measurement of long-term receivables**

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

### **2.13. LONG-TERM PREPAYMENTS**

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

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

Long-term prepayments include but are not limited to:

- Rentals,
- IT licenses,
- Alcohol sales licenses.

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

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

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

This situation takes place if the following conditions are fulfilled:

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

Intangible and tangible fixed assets classified as assets for sale or issue are not amortized.

## 2.15. INVENTORIES

Inventories of the Company include:

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

### Rules of determination of purchase price

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

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

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

Purchase prices are determined using the weighted average method. Under the weighted average, the purchase price or production cost of each item is calculated on the basis of the weighted average of purchase prices or production costs of similar items at the start of the

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

period and the purchase prices or costs of similar items purchased or produced during the period. The weighted average is converted when goods are taken to the warehouse. The Company applies the same method to determine purchase prices for all items of inventories.

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

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

The Company writes down the value of inventories to the net value possible to recover from the following premises:

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

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

The amount of any write-down of inventories is recognized in costs of goods sold.

## **2.16. NON-DERIVATIVE FINANCIAL INSTRUMENTS**

### **Classification of financial assets**

#### **Valuation for the moment of initial recognition**

Financial assets are classified into the following valuation categories:

- measured at amortized cost,
- measured at fair value through profit or loss,
- measured at fair value through other comprehensive income.

#### **Valuation at the moment of initial recognition**

On initial recognition, an entity values a financial asset at its fair value, which for financial assets not at fair value through profit or loss is increased by transaction costs that can be directly attributed to the acquisition of those financial assets.

#### **Discontinuation of recognition**

The Company ceases to recognize a financial asset in the statement of financial position in the event of the expiry of the right to receive economic benefits and incur related risks or transfer them to third parties.

#### **Valuation after initial recognition**

For the purpose of valuation after initial recognition, financial assets are classified in one of four categories:

- Debt instruments measured at amortized cost,
- Debt instruments measured at fair value through other comprehensive income,
- Equity instruments measured at fair value through other comprehensive income,

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- Financial assets at fair value through profit or loss.

#### **Debt instruments - financial assets at amortized cost**

A financial asset is measured at amortized cost if both of the following conditions are met:

- (a) the financial asset is held in accordance with the business model, the purpose of which is to maintain financial assets for obtaining cash flows arising from the contract, and
- (b) the contractual terms relating to a financial asset cause cash flows to occur at specified times, which are only repayment of the principal and interest on the principal outstanding.

In the category of financial assets measured at amortized cost, the Company classifies:

- trade receivables,
- loans held to obtain cash flows,
- cash and cash equivalents.

Interest income is calculated using the effective interest rate method and is shown in the profit and loss account under the item Financial income.

#### **Debt instruments - financial assets at fair value through other comprehensive income**

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- a) the financial asset is maintained in accordance with the business model, which is aimed both at receiving cash flows resulting from the agreement and the sale of financial assets; and

- (b) the contractual terms relating to a financial asset cause cash flows to occur at specified times, which are only repayment of the principal and interest on the principal outstanding.

Interest income, foreign exchange differences and impairment gains and losses are recognized in profit or loss and calculated in the same way as financial assets measured at amortized cost. Other changes in fair value are recognized in other comprehensive income. Upon cessation of the recognition of a financial asset, the total profit or loss previously recognized in other comprehensive income is reclassified from equity to the financial result. Interest income is calculated using the effective interest rate method and is shown in the profit and loss account under the item Financial income.

In the category of debt instruments measured at fair value through other comprehensive income, the Company qualifies loans that arise from financing needs in the Company.

#### **Capital instruments - financial assets at fair value through other comprehensive income**

At the moment of initial recognition, the Company may make an irrevocable choice regarding the recognition in other comprehensive income of subsequent changes in the fair value of investments in an equity instrument that is not intended for trading or is a conditional consideration recognized by the acquirer in the merger of entities to which IFRS 3 applies. This choice is made separately for each equity instrument. Accumulated profits or losses previously recognized in other comprehensive income are not reclassified to profit or loss. Dividends are recognized in the profit and loss account when the entity's right to receive dividends is established, unless these dividends clearly represent the recovery of part of the investment costs.

In the category of equity instruments measured at fair value through other comprehensive income, the Company qualifies shares in other entities, purchased options, warrants.

#### **Financial assets at fair value through profit or loss**

A financial asset that does not meet the measurement criteria at amortized cost or at fair value through other comprehensive income is measured at fair value through profit or loss.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

The gain or loss on the valuation of debt investments at fair value is recognized in profit or loss.

Dividends are recognized in the profit and loss account when the entity's right to receive dividends arises.

In the category of equity instruments measured at fair value through the financial result, the Company qualifies shares of other entities.

In a situation where the Company:

- has a valid legal title to offset the amounts included and
- it intends to settle on a net basis or at the same time realize an asset and perform an obligation

the financial asset and financial liability are compensated and disclosed in the statement of financial position at the net amount.

The framework agreement described in IAS 32.50 does not constitute grounds for compensation if both criteria described above are not met.

### Financial liabilities

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

- (a) financial liabilities designated as at fair value through profit or loss,
- (b) financial liabilities recognized as a result of reclassification of financial assets that are not qualified to be derecognized,
- (c) financial guarantees contracts,
- (d) obligations to grant low-interest or interest-free loans.

In a situation where the Company:

- has a valid legal title to offset the amounts recognized, and
- intends to settle in a net amount or simultaneously realize an asset and settle an obligation

the financial asset and financial liability are offset and disclosed in the statement of financial position at net amount.

## 2.17. DERIVATIVES

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

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

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

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

#### *Cash flow hedges*

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

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

#### *Other non-trading derivatives*

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

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

### **Trade receivables**

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

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

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

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

In the case of trade receivables, the Company applies a simplified approach and measures the write-down for expected credit losses in the amount equal to expected credit losses over the whole life using the reserve matrix. The Company uses its historical data on credit losses, adjusted, where applicable, for the impact of future information.

The Company assesses the probability of payment of receivables by counterparties from the beginning of their creation. If receivables whose repayment by buyers is threatened or whose enforcement may cause difficulties are disclosed, they are updated by making a write-down in the profit and loss account.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

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

### **Bad debts allowance**

Allowances for bad debt are established for:

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

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

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

## **2.19. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash at hand and in bank accounts as well as bank deposits payable on demand, other safe short-term investments with an original maturity of up to three months from the date of their establishment, receipt, acquisition or issue and high liquidity. Cash and cash equivalents also include interest on cash equivalents.

## **2.20. SHORT-TERM PREPAYMENTS**

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

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

- rent prepayments,
- prepaid electricity and central heating,
- prepaid subscriptions, insurance,
- alcohol permissions,
- property tax,
- prepayments for other services (e.g. telecommunications),
- advance payments for lease of equipment.

## **2.21. IMPAIRMENT**

**Financial assets (including receivables)**

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

The Company assesses the expected credit losses related to debt instruments carried at amortized cost and fair value through other comprehensive income, irrespective of whether there is any indication of impairment.

The factors determining the impairment of financial assets (including equity instruments) are included:

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

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

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

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

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

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

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



<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2019</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

### **Non-financial assets**

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

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

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

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

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

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

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

## **2.22. EQUITY**

### **Ordinary shares**

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

### **Repurchase of treasury shares**

In the case of purchase of treasury shares, the amount of the consideration paid, which includes directly attributable costs net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as a separate item of shareholders' equity with a minus sign. When treasury shares are sold or reissued subsequently, the amounts received

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

are recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

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

### 2.23. LONG-TERM LIABILITIES

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

Long-term liabilities include mainly:

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

#### Measurement of long-term liabilities

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

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

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

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

### 2.24. SHORT-TERM LIABILITIES

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

Short-term liabilities include in particular:

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

As part of trade payables, the Group presents liabilities covered by reverse leasing.

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

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

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

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

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

## 2.25. BORROWINGS

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

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

## 2.26. PROVISIONS

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

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

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

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

## 2.27. SALES

The Company applies IFRS 15 Revenue from contracts with clients to all contracts with clients, with the exception of leasing agreements covered by the scope of IFRS 16 Leases, financial instruments and other contractual rights and obligations falling within the scope of IFRS 9 Financial Instruments, IFRS 1 Consolidated Financial Statements, IFRS 11 Joint Findings contractual, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

The basic principle of IFRS 15 is the recognition of revenues at the moment of the transfer of goods and services to the client, in a value reflecting the price expected by the entity, in exchange for the transfer of goods and services.

These rules are applied using the five-step model:

- a contract with the client has been identified,
- commitments to perform the service under the contract with the client have been identified,
- the transaction price was determined,
- the transaction price was allocated to individual liabilities and performance of the service,
- revenues are recognized when the contractual obligation is fulfilled.

### Identification of the contract with the client

The Company recognizes the contract with the client only if all of the following criteria are met:

- the parties to the contract have entered into a contract (in writing, or in accordance with other usual commercial practices) and are required to perform their duties,
- The Company is able to identify the rights of each party regarding the goods or services to be transferred,
- The Company is able to identify the payment terms for goods or services to be transferred,

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- the contract has economic content (i.e. it can be expected that the contract will change the risk, the time schedule or the amount of future cash flows of the entity),
- it is probable that the Company will receive a remuneration which it will be entitled to in exchange for goods or services that will be transferred to the client.

When assessing whether the receipt of the amount of remuneration is probable, the Company only considers the ability and intention to pay the amount of remuneration by the client in a timely manner. The amount of remuneration that will be due to the Company may be lower than the price specified in the contract if the remuneration is variable, because the entity may offer the customer a price concession.

#### **Determining the transaction price**

In order to determine the transaction price, the Company takes into account the terms of the contract and the usual commercial practices. The transaction price is the amount of remuneration which, in line with the Company's expectations, will be payable in exchange for the transfer of promised goods or services to the client, with the exception of amounts collected on behalf of third parties (eg certain sales taxes). The remuneration specified in the contract with the client may include fixed amounts, variable amounts or both types of amounts.

#### **Variable remuneration**

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 transfer of the promised goods or services to the client. The Company estimates the amount of variable remuneration using one of the following methods, depending on the type of contract:

- expected value - the sum of the products of the possible remuneration amounts and the corresponding probabilities of occurrence. The expected value may be an appropriate estimate of the amount of variable remuneration if the Company has a large number of similar contracts,
- the most probable value - it is the single most probable amount from the range of possible remuneration amounts (ie the single most probable outcome of the contract). The most likely value may be an appropriate estimate of the amount of variable remuneration if the contract has only two possible outcomes (eg the Company either earns a performance bonus or not).

#### **Assigning the transaction price to the obligations to perform the service**

The Company assigns a transaction price to each obligation to provide the service (or a separate good or separate service) in an amount that reflects the amount of remuneration which, as expected by the Company, is due in exchange for the transfer of promised days and services to the client.

#### **Fulfilling obligations to perform the service**

The Company recognizes revenue when it meets (or in the course of fulfilling) the obligation to perform the service by transferring the promised good or services to the client.

#### **Remuneration of the principal and remuneration of the intermediary**

If another entity is involved in providing goods or services to the customer, the Company determines whether the nature of the Company's promise is an obligation to provide certain goods or services (in this case the Company is the principal) or on behalf of another entity to provide these goods or services (in this case the Company is an intermediary).

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

The Company is the principal if it exercises control over the promised good or service prior to their commandment to the client. However, an entity does not have to act as principal if it obtains a legal title to the product only temporarily before it is transferred to the customer. An entity appearing in the contract as the principal may itself fulfill the obligation to perform the service or may entrust the fulfillment of this obligation or part thereof to another entity (eg subcontractor) on its behalf. In this situation, the Company recognizes revenue in the gross amount of remuneration to which it is expected to be entitled in exchange for goods or services transferred.

The Company acts as an intermediary if its obligation to perform the service consists in ensuring delivery of goods or services by another entity. In such a case, the Company recognizes revenue in the amount of any fee or commission to which it is expected to be entitled in exchange for ensuring delivery of goods or services by another entity.

#### **Variable remuneration**

Some contracts with clients include variable amounts of remuneration, including in connection with the granting of discounts, rebates, penalties.

If the remuneration specified in the contract includes a variable amount, the entity estimates the amount of remuneration to which it will be entitled in exchange for the transfer of promised goods or services to the client and includes part or all of the variable remuneration in the transaction price only to the extent that it is highly probable that there will be no reversal of a significant part of the amount of previously recognized accumulated revenues at the time when the uncertainty about the amount of variable remuneration is flat.

## **2.28. FINANCE INCOMES AND COSTS**

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

#### **Interest income**

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

#### **Dividend income**

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

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

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

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

#### **Disposal of the unit**

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

The result on the sale of subsidiaries is presented by the Company in the profit and loss account in financing activities.

## 2.29. EMPLOYEE BENEFITS

### Long-term employee benefits

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

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

### Short-term employee benefits

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

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

The company has the costs associated with the operation of Employee Capital Plans ("PPK") by making contributions to the pension fund. They are the post-employment benefits in the form of a defined contribution plan. The Company recognizes the costs of payments for PPK in the same cost item in which it recognizes the remuneration costs from which they are calculated. PPK liabilities are presented as part of Current employee benefits.

## 2.30. SHARE-BASED PAYMENTS

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

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

## 2.31. INCOME TAX

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Income tax covers the current and deferred part. Current and deferred income tax is recognized as profit or loss of the current period, except when it concerns a business combination and items recognized directly in equity or as other comprehensive income.

Current tax is the expected amount of liabilities or receivables due to tax on taxable income for a given reporting period, calculated on the basis of the tax result (tax base) of a given reporting period and adjusted by adjustments of tax liability regarding previous reporting periods. Tax income differs from gross book profit (loss) due to the exclusion of certain categories of balance sheet revenues as not subject to taxation and balance sheet expense, not constituting tax deductible costs and items of costs and revenues that will never be subject to taxation or reduce the tax base in subsequent years. Tax burdens are calculated based on tax rates applicable in a given reporting period.

Deferred tax is calculated using the balance sheet method as a tax to be paid or returned in the future on temporary differences between the balance sheet values of assets and liabilities and the corresponding tax values used to calculate the tax base.

Deferred tax provision is created from all positive temporary differences

- except when the provision for deferred tax arises as a result of the initial recognition of goodwill or initial recognition of an asset or liability when a transaction is not a business combination and does not affect gross profit or loss or taxable income or tax loss, and
- in the case of positive temporary differences arising from investments in subsidiaries or affiliates and interests in joint ventures - except when the dates of reversal of temporary differences are subject to investor control and when it is probable that the temporary differences will not be reversed in the foreseeable future.
- Deferred tax assets are recognized for all deductible temporary differences as well as unused tax credits and unused tax losses carried forward to the following years, in the amount in which it is probable that taxable income will be achieved, which will allow to use the abovementioned taxable profit. differences, assets and losses
- except when deferred tax assets related to deductible temporary differences arise as a result of the initial recognition of an asset or liability when a transaction is not a business combination and have no effect on gross profit or loss or taxable income tax loss, and
- in case of negative temporary differences due to investments in subsidiaries or affiliates and shares in joint ventures, the deferred tax asset is recognized in the balance sheet only in the amount in which it is probable that in the foreseeable future the above-mentioned temporary differences will be reversed and taxable income will be achieved, which will allow deduction of negative temporary differences.

The value of deferred tax assets is analyzed at the end of each reporting period, and if the expected future tax profits are not sufficient to realize an asset or its part, it is recognized to the realizable value.

Deferred tax assets and deferred tax provisions are valued using tax rates that are expected to apply in the period when the asset is realized or the provision is released, based on tax rates (and tax regulations) in force as at the balance sheet date or those whose validity is certain in the future as at the balance sheet date.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2019</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

Income tax relating to items recognized outside profit or loss is recognized outside profit or loss: in other comprehensive income, for items recognized in other comprehensive income or directly in equity for items recognized directly in equity.

Deferred income tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to offset current tax liabilities and assets and provided that the deferred income tax assets and reserves relate to income tax imposed by the same tax authority for the same taxpayer.

### **2.32. UNCERTAIN TAX TREATMENT**

If according to the Company's assessment it is probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Company determines taxable income (tax loss), tax base, unused tax losses and unused tax credits and tax rates, after considering in its tax return the applied or planned approach to taxation.

If the Company ascertains that it is not probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Company reflects the impact of this uncertainty in determining taxable income (tax loss), unused tax losses, unused tax credits or tax rates. The Company accounts for this effect using the following methods:

- determining the most probable amount – it is a single amount from among possible results,
- providing the expected amount – it is the sum total of the amounts weighted by probability from among possible results.

### **2.33. EARNINGS PER SHARE**

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

### **2.34. MERGERS OF JOINTLY CONTROLLED ENTITIES**

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

Differences from the mergers are referred to the equity.

### **2.35. OPERATING SEGMENTS**

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

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



<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2019</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

### 3. NOTES TO SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2019 TO 31.12.2019

#### NOTE 1.

#### ACQUISITION OF SHARES IN A SUBSIDIARIES

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

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

#### GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS

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

#### Settlement of business acquisition

These condensed consolidated interim financial statements present an initial settlement of the acquisition price of Partner shares. The Group is in the process of identification and measurement of assets acquired and liabilities assumed.

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

The acquisition took place market conditions.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

The resulting goodwill is mainly due to the fact that thanks to the acquisition of Partner Sp. z o.o. (Lewiatan stores), Eurocash S.A. Group expanded its distribution channels for food and chemical-cosmetic products. Goodwill in the amount of PLN 64,223,250 consists of the expected synergy effect resulting from the acquisition.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 2.

### Acquisition of ZCP Mila S.A. in the form of a Distribution Center in Kragola

#### General information

On 2 December 2019, took place the acquisition by Eurocash S.A. from the subsidiary Delikatesy Centrum Sp. o.o an organized part of the enterprise, in the form of a Distribution Center in Kragola, as a result of which wholesale operations of Mila S.A. was transferred to Eurocash S.A.

#### Acquisition price allocation

These separate financial statements include the settlement of the purchase price of an organized part of the enterprise of Distribution Center in Kragola by Eurocash S.A. The acquisition of an organized part of the enterprise was accounted for in these separate financial statements by the pooling method.

The acquisition of an organized part of the enterprise was accounted in these separate financial statements as a transaction under common control. As a result, acquired components of MILA S.A. were recognized at book values from the consolidated financial statements of the Eurocash S.A. Capital Group as at 2 December 2019,

Till 31.12.2019 the total amount of purchase price was paid.

Purchase price allocation of ZCP Mila as at 02.12.2019			
Assets		Equity and liabilities	
Goodwill	270 995 641,74	Cash	359 305 000,00
Tangible fixed assets	18 843 715,29	Provision for deferred tax	10 390 230,52
Right of use	54 685 423,77	Lease liabilities	57 536 938,81
Deferred tax assets	75 977 813,45	Short-term liabilities	47 660 755,10
Current assets	42 442 135,90	Other short-term provisions	-2 851 515,04
		Merger capital	-9 096 679,24
<b>Assets Total</b>	<b>462 944 730,14</b>	<b>Equity and liabilities Total</b>	<b>462 944 730,14</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**NOTE 3.  
GOODWILL AND INTANGIBLE ASSETS**

The table below presents intangible asset data.

**INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2019**

	Goodwill	Patents and licences	Trademarks	Relations with clients	Other intangible fixed assets	Advances	Total
<b>Carrying amount as at 01.01.2018</b>	<b>862 819 840</b>	<b>38 647 049</b>	<b>295 752 941</b>	<b>188 412 357</b>	<b>2 869 541</b>	<b>12 217 027</b>	<b>1 400 718 755</b>
Other acquisitions	-	12 262 620	-	-	391 175	13 465 254	<b>26 119 049</b>
Transfer of fixed assets under construction	-	4 259 639	-	-	77 900	(3 781 312)	<b>556 227</b>
Decrease due to sale	-	(2 873)	-	-	-	-	<b>(2 873)</b>
Depreciation	-	(19 633 505)	(2 000 000)	(17 537 507)	(2 343 585)	-	<b>(41 514 598)</b>
<b>Carrying amount as at 31.12.2018</b>	<b>862 819 840</b>	<b>35 532 929</b>	<b>293 752 941</b>	<b>170 874 850</b>	<b>995 031</b>	<b>21 900 970</b>	<b>1 385 876 562</b>
<b>Carrying amount as at 01.01.2019</b>	<b>862 819 840</b>	<b>35 532 929</b>	<b>293 752 941</b>	<b>170 874 850</b>	<b>995 031</b>	<b>21 900 970</b>	<b>1 385 876 562</b>
Other acquisitions	270 995 642	17 427 168	-	-	87 356 117	20 789 750	<b>396 568 676</b>
Transfer of fixed assets under construction	-	23 334 594	-	-	597 669	(20 472 578)	<b>3 459 685</b>
Decrease due to sale	-	(175 515)	-	-	(275)	-	<b>(175 790)</b>
Liquidations	-	(254 417)	-	-	(19 545)	-	<b>(273 962)</b>
Depreciation	-	(21 849 541)	-	(17 537 507)	(7 254 892)	-	<b>(46 641 939)</b>
<b>Carrying amount as at 31.12.2019</b>	<b>1 133 815 482</b>	<b>54 015 218</b>	<b>293 752 941</b>	<b>153 337 343</b>	<b>81 674 105</b>	<b>22 218 141</b>	<b>1 738 813 231</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2019</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

#### **INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019 (continued)**

	Goodwill	Patents and licences	Trademarks	Relations with clients	Other intangible fixed assets	Advances	Total
<i>As at 31.12.2018</i>							
Cost	862 819 840	171 396 348	316 209 364	256 297 960	20 263 324	21 900 970	1 648 887 805
Accumulated amortisation	-	(135 863 418)	(22 456 423)	(85 423 110)	(19 268 293)	-	(263 011 243)
<b>Carrying value</b>	<b>862 819 840</b>	<b>35 532 930</b>	<b>293 752 941</b>	<b>170 874 850</b>	<b>995 031</b>	<b>21 900 970</b>	<b>1 385 876 562</b>
<i>As at 31.12.2019</i>							
Cost	1 133 815 482	211 982 594	316 209 364	256 297 960	108 216 835	22 218 141	2 048 740 377
Accumulated amortisation	-	(157 967 376)	(22 456 423)	(102 960 617)	(26 542 729)	-	(309 927 145)
<b>Carrying value</b>	<b>1 133 815 482</b>	<b>54 015 218</b>	<b>293 752 941</b>	<b>153 337 343</b>	<b>81 674 106</b>	<b>22 218 141</b>	<b>1 738 813 232</b>

Goodwill presented in intangible assets arose as a consequence of:

- acquisition by Eurocash S.A. of an organized part of enterprise "Carment M. Stodółka i Wspólnicy Spółka Jawna" as at 16.08.2006 in the amount of PLN 9,975,600,
- merger with Przedsiębiorstwo Handlowe Batna Sp. z o.o. as at 01.07.2010 in the amount of PLN 29,180,412,
- merger with Eurocash Dystrybucja Sp. z o.o. as at 01.09.2010 in the amount of PLN 56,868,456,
- acquisition of organized part of the business of Premium Distributors Sp. z o.o. as at 01.10.2013 in the amount of PLN 226,352,528,
- merger with Tradis Sp. z o.o. as at 04.04.2014 in the amount of PLN 529,014,483,
- merger with PolCater Sp. z o.o. as at 01.10.2014 in the amount of PLN 11,428,360,
- acquisition of an organized part of enterprise MILA S.A. (Distribution Center in Kragola) as at 02.12.2019 in the amount of PLN 270,995,642.

Other acquisitions in Other intangible fixed assets in the amount of PLN 87,024,233 is due to the acquisition of Distribution Function from EKO Holding S.A.

The Company has the following trademarks with indefinite useful lives:

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

Amortization of intangible assets was recognized in its entirety as selling expenses and general and administrative expenses. The Company did not recognize any impairment losses in relation to intangible assets; this issue is discussed in more detail in Note 6.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### NOTE 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment items are presented below:

##### PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2019

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
<b>Carrying amount as at 01.01.2018</b>	<b>266 613 594</b>	<b>92 908 389</b>	<b>18 183 433</b>	<b>55 098 671</b>	<b>28 089 448</b>	<b>460 893 534</b>
Other acquisitions	15 395 310	20 480 289	4 096 038	13 042 631	15 649 437	68 663 706
Increases due to the transfer of fixed assets under construction	9 599 185	2 173 822	-	7 811 986	(20 141 220)	(556 227)
Finance lease	-	-	389 254	-	-	389 254
Disposals	(14 667)	(1 690 967)	(36 143)	(131 162)	(138 260)	(2 011 198)
Liquidations	(3 277 840)	(1 321 737)	(37 423)	(70 042)	(18 045)	(4 725 087)
Leasing decrease	-	-	(657 314)	-	-	(657 314)
Depreciation	(19 004 973)	(27 674 631)	(4 227 742)	(23 318 674)	-	(74 226 020)
<b>Carrying amount as at 31.12.2018</b>	<b>269 310 609</b>	<b>84 875 165</b>	<b>17 710 103</b>	<b>52 433 411</b>	<b>23 441 360</b>	<b>447 770 647</b>
<b>Carrying amount as at 01.01.2019</b>	<b>269 310 609</b>	<b>84 875 165</b>	<b>17 710 103</b>	<b>52 433 411</b>	<b>23 441 360</b>	<b>447 770 647</b>
Other acquisitions	9 850 417	28 669 664	11 966 689	15 774 253	25 021 981	91 283 005
Transfers to assets due to the right of use	-	-	(1 024 668)	-	-	(1 024 668)
Increases due to the transfer of fixed assets under construction	10 084 013	7 351 555	-	5 104 639	(25 999 892)	(3 459 685)
Disposals	(12 921)	(1 036 407)	(445 208)	(601 425)	-	(2 095 961)
Liquidations	(152 747)	(2 215 234)	(13 754)	(3 689 999)	(366 552)	(6 438 286)
Depreciation	(19 385 838)	(28 132 401)	(5 003 736)	(24 557 197)	-	(77 079 171)
<b>Carrying amount as at 31.12.2019</b>	<b>269 693 533</b>	<b>89 512 343</b>	<b>23 189 426</b>	<b>44 463 682</b>	<b>22 096 896</b>	<b>448 955 881</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019 (continued)**

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	<b>Total</b>
<i>As at 01.01.2018</i>						
Cost	445 394 909	244 306 255	92 362 191	270 142 143	23 441 360	1 075 646 858
Accumulated amortisation	(176 084 300)	(159 431 090)	(74 652 088)	(217 708 733)	-	(627 876 211)
<b>Carrying amount</b>	<b>269 310 609</b>	<b>84 875 165</b>	<b>17 710 103</b>	<b>52 433 411</b>	<b>23 441 360</b>	<b>447 770 647</b>
<i>As at 31.12.2019</i>						
Cost	465 163 671	277 075 834	102 845 250	286 729 611	22 096 896	1 153 911 263
Accumulated amortisation	(195 470 138)	(187 563 491)	(79 655 824)	(242 265 929)	-	(704 955 382)
<b>Carrying amount</b>	<b>269 693 533</b>	<b>89 512 343</b>	<b>23 189 426</b>	<b>44 463 682</b>	<b>22 096 896</b>	<b>448 955 881</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 5. PERPETUAL USE

### PERPETUAL USE IN THE PERIOD FROM 01.01 TO 31.12.2019

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Total
<b>Carrying amount as at 01.01.2019</b>	<b>756 547 120</b>	<b>26 563</b>	<b>104 676 116</b>	<b>73 745</b>	<b>861 323 545</b>
Increases due to the transfer of fixed assets	-	-	1 024 668	-	<b>1 024 668</b>
Increases due to the new agreements	87 486 929	(502)	73 157 271	(563)	<b>160 643 135</b>
Changes in conditions of contracts	68 729 837	-	9 367 119	-	<b>78 096 956</b>
Decrease of contracts scope	(5 258 534)	-	(3 587 897)	-	<b>(8 846 431)</b>
Depreciation	(107 210 746)	(26 062)	(53 324 416)	(73 182)	<b>(160 634 405)</b>
<b>Carrying amount as at 31.12.2019</b>	<b>800 294 607</b>	<b>-</b>	<b>131 312 862</b>	<b>-</b>	<b>931 607 465</b>

### PERPETUAL USE IN THE PERIOD FROM 01.01 TO 31.12.2019

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Total
<b>As at 31.12.2019</b>					
Cost	907 505 353	26 062	184 637 277	73 182	1 092 241 873
Accumulated amortisation	(107 210 746)	(26 062)	(53 324 416)	(73 182)	(160 634 405)
<b>Carrying amount</b>	<b>800 294 607</b>	<b>-</b>	<b>131 312 862</b>	<b>-</b>	<b>931 607 465</b>



<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 6. IMPAIRMENT TESTING OF ASSETS

The company has carried out impairment tests of trademarks and goodwill.

As at 31.12.2019, the Company conducted impairment tests in relation to individual goodwill disclosed in the financial statements in the total amount of PLN 1,133,815,482 (2018: PLN 862.819.840) due to wholesale and retail activity and determined the recoverable amounts of the cash-generating units to which these goodwill is allocated.

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

For each impairment test, the recoverable amount was determined as the value of the tested cash-generating unit based on financial projections for 2020-2024. To determine selected projection parameters, historical data for 2019 and approved by the Management Board of Eurocash S.A. were used. plans for 2020-2024.

### Goodwill impairment test

Goodwill related to wholesale activities

The recoverable amount estimation model includes 5-year detailed cash flow projections. average annual sales increase by 5.5% and gross margin increase by 0.2 pp in the horizon of a detailed forecast.

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

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

The weighted average cost of capital was assumed as the discount rate - WACC 6.69% (in 2018 WACC 6.49%). As a result of the analysis, it was confirmed that there was no need to make an impairment loss.

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

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

Goodwill related to retail activities

The recoverable amount estimation model includes 5-year detailed cash flow projections, based on planned sales development in the retail store network and with investment outlays in line with approved investment budgets, including planned expenditures on the remodeling of stores, and while maintaining the level of gross margin achieved in 2019. A decrease in operating margins in 2020-2022 as compared to 2019 was also assumed, due to the planned increase in operating costs such as remuneration and energy costs, and an increase these margins from 2023.

The test assumed a discount rate - the weighted average cost of WACC capital at 8.03% (in 2018 WACC 9.05%), the level was determined based on, among others for market risk premium and other parameters relevant to the industry in which Eurocash operates, in relation to retail operations.

The growth rate in the residual period was adopted at 2.5%.

In the test, the discount rate deviation by 0.25 p.p. would result in a decrease / increase in recoverable amount by approx. 100 million, while a change in gross margin by 0.25 pp. - respectively by approx. 350 million.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

### Impairment tests of trademarks

For intangible assets with indefinite useful lives, the Company performed the following impairment tests due to the wholesale activity:

- impairment test of the "Eurocash" trademark with a value of PLN 179,000,000 as at 31.12.2019,
- impairment test of the "abc" trademark with a value of PLN 110,000,000 as at 31.12.2019.

For the purpose of the test, the recoverable amount of the trademark was determined at the fair value less costs to sell using the license fees method.

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

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

Tests were carried out based on financial projections for the years 2020-2024. To determine the values of selected projection ratios, historical data was used for year 2018 and plans approved by the Management Board of Eurocash S.A. for the years 2020-2024.

In order to determine the total level of sales, sales increases were predicted for the existing locations at the date of the test.

The weighted average cost of capital - WACC (from 6,35%; in 2018: from: 6,71%) was adopted as a discount rate. For the purpose of calculating the cost of capital.

Analyses confirmed that there was no necessity to recognize impairment loss.

### NOTE 7. INVESTMENT PROPERTIES

#### TANGIBLE FIXED ASSETS AS AT 31 DECEMBER 2019

	as at 31.12.2019	as at 31.12.2018
Opening balance	957 103	972 799
Depreciation	(15 696)	(15 696)
Closing balance	941 407	957 103

### NOTE 8. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are presented in the following table:

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### INVESTMENTS IN SUBSIDIARIES IN THE PERIOD FROM 01.01 TO 31.12.2019

	as at 31.12.2019	as at 31.12.2018
<b>Opening balance</b>	<b>1 291 451 999</b>	<b>953 265 943</b>
<b>Increase in reporting period:</b>	<b>82 831 511</b>	<b>360 583 606</b>
purchase of an organized part of the enterprise	4 580 807	-
acquisition of entities	73 155 704	349 278 606
creation of new companies	-	5 000
increase of capital in subsidiaries	5 095 000	11 300 000
<b>Decrease in reporting period:</b>	<b>(2 671 893)</b>	<b>(22 397 550)</b>
sale of shares in subsidiaries	(2 671 893)	(22 397 550)
<b>Closing balance</b>	<b>1 371 611 616</b>	<b>1 291 451 999</b>

In year 2019, the increase was referred to the acquisition of company Partner Sp. z o.o. (Note 1).

The decrease was referred to the sale of shares in the company Detal Podlasie Sp. z o.o.

The Company analyzed the premises for the impairment of investments in subsidiaries. If such premises exist, tests for impairment of relevant investments were carried out.

In particular, tests of the recoverable amount of equity involvement in subsidiaries were carried out in relation to companies in the Projects segment (including Duży Ben and ABC na kołach), based on prepared plans for the development of relevant business projects assuming reaching a break-even point in the medium term.

For investments in subsidiaries that are part of the Retail segment in the consolidated financial statements of the Eurocash Group and developing the Retail+ business model, after reorganization activities in the Group, a test based on forecasted cash flows over a 5-year detailed forecast horizon with a residual value was carried out. The main assumptions adopted for the forecasts in the Retail segment are described in Note 6. The test covered investments in Delikatesy Centrum Sp. z o.o. (previously Ledi Sp. z o.o., after the merger with Mila S.A.) and Eurocash Franczyza Sp. z o.o., whose flows were taken together as they are directly related to the designated Detal+ project, and in accordance with the Eurocash Group development strategy.

In addition, tests were prepared out separately regarding the recoverable amount of investment in other companies included in the Retail segment in the consolidated financial statements - FHC2, Madas, Rogala and Inmedio - based on the planned separate cash flows of these companies.

The results of the tests did not indicate the need to recognize impairment losses on investments in subsidiaries.

#### NOTE 9.

#### INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are presented below:

#### INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2019

Name of entity	Registered office	Percentage in share capital (in%)	Voting rights (in%)
FRISCO S.A.	ul. Omulewska 27 04-128 Warszawa	44,03%	44,03%
Partnerski Serwis Detaliczny S.A.	ul. Grażyny 15 02-548 Warszawa	50,00%	50,00%

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Opening balance	40 586 757	40 586 757
Increase in reporting period:	2 206 268	-
Acquisition of shares in associates	2 206 268	-
Closing balance	42 793 025	40 586 757

#### NOTE 10. OTHER LONG-TERM FINANCIAL ASSETS

Other long-term financial assets are presented below:

#### OTHER LONG-TERM INVESTMENTS AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Loans granted to subsidiaries	-	42 690 104
Loans granted to other entities	-	184 945
Other long-term financial assets	6 671 728	3 057 633
	<b>6 671 728</b>	<b>45 932 683</b>

Other financial liabilities consist of by Frisco's debentures that were granted on market terms with a deadline of over 12 months.

#### NOTE 11. LONG-TERM RECEIVABLES

Long-term receivables are presented below:

#### LONG-TERM RECEIVABLES AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Security deposits on rental agreements	2 239 199	2 248 123
Other long-term receivables	4 700 000	7 050 000
	<b>6 939 199</b>	<b>9 298 123</b>

#### NOTE 12. OTHER LONG-TERM PREPAYMENTS

Other long-term prepayments are presented below:

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### OTHER LONG-TERM PREPAYMENTS AS AT 31.12.2019

	as at 31.12.2019	na dzień 31.12.2018
Rentals	541 097	-
Insurance	550 000	700 000
Other	149 339	55 389
	<b>1 240 436</b>	<b>755 389</b>

#### NOTE 13. INVENTORIES

Inventories are presented below:

#### INVENTORIES AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Merchandise	805 782 255	850 883 304
Materials	241 982	172 417
<b>Total inventories, including:</b>	<b>806 024 237</b>	<b>851 055 722</b>
- carrying amount of inventory deposits securing payments of liabilities	178 000 000	178 000 000

#### ALLOWANCES FOR INVENTORIES IN THE PERIOD FROM 01.01 TO 31.12.2019

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
<b>Opening balance</b>	<b>11 120 462</b>	<b>11 188 113</b>
- increase in the allowance during the period *	6 635 471	-
- write-offs during the period *	-	(67 651)
<b>Closing balance</b>	<b>17 755 933</b>	<b>11 120 462</b>

\* net value

#### NOTE 14. TRADE AND OTHER RECEIVABLES

Trade and other receivables are presented below:

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
<b>Trade receivables</b>	<b>1 122 074 335</b>	<b>1 083 188 629</b>
Receivables from clients	674 366 672	656 812 940
Receivables from suppliers	367 129 166	359 705 445
Receivables from franchisees *	20 302 879	23 593 244
Franchise fees	3 519 192	3 784 113
Other trade receivables	95 412 217	78 595 471
Allowance for trade bad debts	(38 655 791)	(39 302 584)
<b>Other receivables</b>	<b>31 852 370</b>	<b>66 788 792</b>
VAT settlements	20 775 038	34 482 536
Receivables subject to legal proceedings	63 576 855	59 587 567
Allowance for other bad debts	(62 089 732)	(57 896 268)
Receivables from sales fixed assets	57 329	167 857
Receivables from employees	333 177	716 906
Receivables from insurance	228 005	342 937
Other receivables	8 971 697	29 387 257
<b>Total receivables, including:</b>	<b>1 153 926 705</b>	<b>1 149 977 421</b>
- short-term	1 153 926 705	1 149 977 421

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

#### NOTE 15. OTHER SHORT-TERM FINANCIAL ASSETS

Short-term financial assets are presented below:

#### OTHER SHORT-TERM INVESTMENTS AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Loans granted to a subsidiary	31 291 659	3 410 994
Loans granted to a joint venture	2 195 852	-
Other short-term investments	245 603	-
	<b>33 733 114</b>	<b>3 410 994</b>

The increase of other short-term investments was referred to granting a loan to entity Delikatesy Centrum Podlasie Sp. z o.o., Delikatesy Centrum Sp. z o.o. and Frisco S.A. on market terms with the repayment period 12 months.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**NOTE 16.**  
**SHORT-TERM PREPAYMENTS**

Short-term prepayments are presented below:

**SHORT-TERM PREPAYMENTS AS AT 31.12.2019**

	as at 31.12.2019	as at 31.12.2018
Alcohol licences	7 861 826	13 828 513
Renting the commercial properties - compensation	1 511 200	1 978 914
Insurances	3 185 017	2 888 875
Rentals	412 667	4 232 416
Tolls	-	415 821
Advisory services	10 333 939	-
Other prepayments	2 928 976	6 427 377
<b>Total short-term prepayments</b>	<b>26 233 625</b>	<b>29 771 917</b>

**NOTE 17.**  
**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are presented below:

**CASH AND CASH EQUIVALENTS AS AT 31.12.2019**

	as at 31.12.2019	as at 31.12.2018
<b>Cash</b>		
cash at bank	201 715	57 349 792
cash on hand	682 746	1 672 740
cash in transit	26 275 521	38 053 184
cash restricted to use	3 650 513	879 917
other	166 083	138 345
<b>Total cash</b>	<b>30 976 577</b>	<b>98 093 976</b>

Cash on VAT accounts as at 31.12.2019 amounted to 3.650.513 PLN (as at 31.12.2018 amounted to 879.917 PLN).

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 18. SHAREHOLDERS' EQUITY

### Share capital

Share capital is presented below:

#### SHARE CAPITAL AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Number of shares	139 163 286	139 163 286
Nominal value (PLN / share)	1	1
<b>Share capital</b>	<b>139 163 286</b>	<b>139 163 286</b>

As at 31 December 2018, share capital consisted of 139,163,286 ordinary shares, including:

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

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

#### SHAREHOLDERS STRUCTURE

Shareholder	31.12.2019				31.12.2018			
	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes (%)
Luis Amaral (directly and indirectly by Politra B.V.)	61 287 778	44,04%	61 287 778	44,04%	61 287 778	44,04%	61 287 778	44,04%
Management S.G.I.I.C. S.A.	11 593 954	8.33%	11 593 954	8.33%	13 605 690	9,78%	13 014 591	9,35%

Luis Amaral holds a total of 44.04% of the shares of Eurocash S.A. directly and indirectly through:

- Politra B.V. S.A.R.L. with its registered office in Luxembourg, whose only shareholder holding 100% shares is Portugese Private Investment Ltd. with its registered office in Great Britain, whose only shareholder is Luis Amaral,
- Western Gate Private Investments Ltd. with its registered office in Great Britain, whose only shareholder is Portugese Private Investment Ltd. with its registered office in Great Britain, whose only partner is Luis Amaral.

The following changes occurred within the structure of share capital:



<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

#### CHANGES IN SHARE CAPITAL IN THE PERIOD FROM 01.01 TO 31.12.2019

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Share capital at the beginning of the period	139 163 286	139 163 286
Increase of share capital in the period	-	-
Equity settled share-based payment transactions	-	-
Share capital at the end of the period	139 163 286	139 163 286

In 2019 and 2018, ordinary shares were not issued in connection with the exercise of share options that were granted to key employees under incentive programs.

#### Loss on valuation of hedging transactions

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

#### Dividend

On 19 June 2019, according to the decision of the Ordinary General Meeting of Eurocash S.A., a dividend of PLN 1 per share was paid. The total amount of dividend paid was PLN 139,163,286.

#### NOTE 19. SHARE OPTIONS

Treasury shares options are presented below:

#### OPTIONS FOR SHARES IN THE PERIOD FROM 01.01 TO 31.12.2019

	Number of options	Weighted average performance prices (PLN/share)
Existing at the beginning of the reporting period	2 906 250	32,51
Granted in the reporting period	-	-
Exercised in the reporting period	-	-
Expired in the reporting period	(106 250)	-
Existing at the end of the reporting period	2 800 000	32,51
including:		
Exercisable at the end of the period	2 800 000	32,51

On April 25, 2017 by Resolutions of the Ordinary General Meeting of Eurocash S.A. a decision was made to issue shares as part of Employee Motivation and Bonus Programs for 2017-2019 (Programs XI - XVI).

Incentive programs were introduced in connection with the intention to continue incentive programs from previous years for managers, executives and persons who are fundamental to the activities of the Company and the Eurocash Group and to create the basis for enabling outstanding employees to take up shares in the Company as part of the bonus.

Incentive programs provide for issuance of up to 4,200,000 shares (approximately 3% of the current number of shares). The period of exercise of the options (subscription rights for convertible bonds) is 3-5 years. The issue price of shares in Incentive Programs will be equal to the average price of Eurocash shares on the Warsaw Stock Exchange on the day of quotations immediately preceding the resolution of the General Meeting on the establishment of these Programs.

The programs cover a total of 6 parts of 700,000 shares:

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2019</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

- 700,000 ordinary shares of the "XI Program" to be implemented in the period from 1 April 2020 to 30 April 2022,
- 700,000 ordinary shares of the "XII Program" to be implemented in the period from 1 April 2020 to 30 April 2022,
- 700,000 ordinary shares of the "XIII Program" to be implemented in the period from 1 April 2021 to 30 April 2023,
- 700,000 ordinary shares of the "XVI Program" to be implemented in the period from 1 April 2021 to 30 April 2023,
- 700,000 ordinary shares of the "XV Program" to be implemented in the period from 1 April 2022 to 30 April 2024,
- 700,000 ordinary shares of the "XVI Program" to be implemented in the period from 1 April 2022 to 30 April 2024,

In the year ended on 31.12.2019, no options were exercised.

The fair value of employee shares programs is estimated as at the date of granting options based on the binominal model.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 20. PROVISIONS AND ACCRUALS

Provisions and accruals are presented below:

### PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2018 TO 31.12.2019

	Provision for employee benefits	Accrual for costs of transport	Accrual for advertising costs	Accruals for costs of media	Accruals for litigations	Accrual for rental costs	Other	Total
<b>Provisions and accruals as at 01.01.2018</b>	<b>71 453 352</b>	<b>7 538 372</b>	<b>31 300 544</b>	<b>6 857 088</b>	<b>9 476 858</b>	<b>5 360 464</b>	<b>56 025 643</b>	<b>188 012 320</b>
Increases*	4 441 437	-	3 973 065	-	-	-	27 881 485	36 295 987
Decreases*	(3 985 501)	(605 590)	-	(593 617)	(6 163 042)	(332 495)	-	(11 680 245)
<b>Provisions and accruals as at 31.12.2018, including:</b>	<b>71 909 288</b>	<b>6 932 781</b>	<b>35 273 609</b>	<b>6 263 471</b>	<b>3 313 816</b>	<b>5 027 969</b>	<b>83 907 128</b>	<b>212 628 062</b>
- short-term	68 627 054	6 932 781	35 273 609	6 263 470	3 313 816	5 027 969	83 907 128	209 345 827
- long-term	3 282 234	-	-	-	-	-	-	3 282 234
* net value, excluding employee benefits								
<b>Provisions and accruals as at 01.01.2019</b>	<b>71 909 288</b>	<b>6 932 781</b>	<b>35 273 609</b>	<b>6 263 471</b>	<b>3 313 816</b>	<b>5 027 969</b>	<b>83 907 128</b>	<b>212 628 062</b>
Increases*	24 213 032	3 624 049	-	4 103 578	-	1 211 519	-	33 152 179
Decreases*	(7 352 242)	-	(28 218 485)	-	(94 238)	-	(5 965 336)	(41 630 301)
<b>Provisions and accruals as at 31.12.2019, including:</b>	<b>88 770 079</b>	<b>10 556 831</b>	<b>7 055 124</b>	<b>10 367 048</b>	<b>3 219 578</b>	<b>6 239 488</b>	<b>77 941 792</b>	<b>204 149 940</b>
- short-term	85 030 764	10 556 831	7 055 124	10 367 048	3 219 578	6 239 488	77 941 792	200 410 625
- long-term	3 739 315	-	-	-	-	-	-	3 739 315
* net value, excluding employee benefits								

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## PROVISIONS AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Provision for employee benefits	88 770 079	71 909 288
Accrual for advertising costs	7 055 124	35 273 609
Accruals for intrests	12 184 237	5 006 706
Accrual for costs of media	10 367 048	6 263 470
Accruals for litigations	3 219 578	3 313 816
Accrual for advisory and audit	1 588 379	12 782 297
Accrual for costs of transport	10 556 831	6 932 781
Accrual for rental costs	6 239 488	5 027 969
Alcohol licensing	3 315 380	1 306 980
Accrual for IT modernization	1 115 765	876 996
Accrual for bonus	11 592 207	8 620 321
Other provisions and accruals	48 145 824	55 313 828
	<b>204 149 939</b>	<b>212 628 061</b>
- long-term	3 739 315	3 282 234
- short-term	200 410 624	209 345 827

### Provisions and liabilities for employee benefits

Provisions and liabilities for employee benefits include provision for retirement, disability and post-mortem benefits in amount of PLN 4.038.134 (the remaining part mainly consists of salaries payable and provisions for holidays and provision for bonuses).

Provision for retirement benefits was calculated by an actuary. Actuarial valuation accounted for such items as: discount rate of 3.25%, 2,5% wage increase. The amount of 3.739.315 PLN was presented as long-term portion of provision.

### Provision for costs of advertising and marketing

Provision for advertising and marketing costs includes mainly provisions related to payments for marketing services provided by clients.

It is expected that these provisions will be realized within 12 months after 31 December 2019.

### Provision for interest

The provision applies to estimated costs associated with outstanding liabilities past due as at 31 December 2019.

The provision is expected to be realized within 12 months after 31 December 2019.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**NOTE 21.**  
**TRADE AND OTHER PAYABLES**

Trade and other payables are presented below:

**TRADE AND OTHER PAYABLES AS AT 31.12.2019**

	as at 31.12.2019	as at 31.12.2018
<b>Trade liabilities</b>	<b>2 870 981 863</b>	<b>2 887 356 977</b>
Payables due to purchase of goods	2 763 580 182	2 773 553 334
Payables due to services received	98 833 201	97 407 486
Payables due to reversal of remuneration	8 568 480	16 396 156
<b>Current tax liabilities</b>	<b>10 971 367</b>	<b>40 241 661</b>
<b>Other payables</b>	<b>50 209 004</b>	<b>50 481 192</b>
Liabilities due to purchases of assets	13 295 517	18 000 171
Liabilities due to social securities	28 117 548	24 095 448
Liabilities due to taxes and insurances	6 330 377	6 203 544
Liabilities due to deposits	1 320 500	1 061 800
Other payables	1 145 063	1 120 229
<b>Total liabilities, including:</b>	<b>2 932 162 234</b>	<b>2 978 079 830</b>
- long-term	1 320 500	1 061 800
- short-term	2 930 841 734	2 977 018 030

Eurocash made the assessment of the liabilities covered by reverse factoring and based on this judgment classified the liabilities due to the so-called reverse factoring. reverse factoring as a liability for deliveries and services, because in connection with the handing over of the factoring commitments, there were no significant changes in the nature of these liabilities, in particular significant changes to the terms of payment. As part of the balance of trade liabilities as at 31 December 2019, the value of balances covered by the vendor financing program in the amount of PLN 1.274.689.086 was included, while as at 31 December 2018, the respective balance amounted to PLN 1,190,147,484.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 22.

### LOANS AND BORROWINGS

Loans and borrowings are presented below:

#### LOANS AND BORROWINGS AS AT 31.12.2019

	Credit destination	Liability amount	Interest rate	Costs for the period from 01.01.2019 to 31.12.2019
Bank 1	Loans as part of the Group under a cash pooling agreement	856 324 911	WIBOR + bank's margin	x
Bank 2	Loan for financing current activity	400 000 000	WIBOR + bank's margin	x
Bank 3	Loan for financing current activity	70 398 299	WIBOR + bank's margin	x
Bank 4	Loan for financing current activity	8 452 087	WIBOR + bank's margin	x
Bank 5	Loan for financing current activity	4 912 029	WIBOR + bank's margin	x
Bank 6	Loan for financing current activity	3 433 470	WIBOR + bank's margin	x
Bank 7	Loan for financing current activity	43 919 199	WIBOR + bank's margin	x
			Total costs	27 562 239
Total loans and credits		1 387 439 995		27 562 239
- short-term		1 387 439 995		

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## LOANS AND BORROWINGS AS AT 31.12.2018

	Credit destination	Liability amount	Interest rate	Costs for the period from 01.01.2018 to
Bank 1	Loans as part of the Group under a cash pooling agreement	567 093 554	WIBOR + bank's margin	x
Bank 2	Loan for financing current activity	400 000 000	WIBOR + bank's margin	x
Bank 3	Loan for financing current activity	34 599 132	WIBOR + bank's margin	x
Bank 4	Loan for financing current activity	6 358 445	WIBOR + bank's margin	x
Bank 5	Loan for financing current activity	4 395 937	WIBOR + bank's margin	x
Bank 6	Loan for financing current activity	1 986 787	WIBOR + bank's margin	x
			Total costs	25 397 995
	Total loans and credits	<b>1 014 433 854</b>		<b>25 397 995</b>
	- short-term	1 014 433 854		

On 2 February 2009, the entities from Eurocash Group signed a liquidity management agreement in the form of daily loans from Bank ("Cash Pool"). The aim is effectively managing the common financial liquidity within the accounts group.

Each of the Group companies has a separate current account. Eurocash S.A. acts as the management structure - operates two accounts:

- the main account - within the accounts group;
- the main liquidity account - outside the accounts group, which reflects the consolidated balance of all accounts.

The DOLMA System is based on the mechanism of zero balances. This operation is the last working day operation and involves a transfer of positive and negative balances of individual current accounts to the main account of liquidity on balance. At the beginning of each working day, this operation is reversed.

Interest on the balance on the main account of liquidity is calculated on the last day of each calendar month.

On 14 October 2016, Eurocash Group companies signed a contract for the management of cash management system for the group of accounts with Bank ("Cash pool").

The goal is to increase the efficiency of short-term cash management and available loans.

Each of the Group's companies has a separate current account. Eurocash S.A. performs a management role in the structure, i.e. runs three accounts: an account for ongoing settlements, an auxiliary account and a pool leader account for purposes related to the functioning of the system.

The system is based on a zero balance mechanism. This is the last operation of the business day and consists in transferring positive and negative balances from individual current accounts to the pool leader account per balance. At the beginning of each subsequent business day, this operation is reversed

In addition, the Company has a line of credit to the amount of PLN 700 m in Bank syndicate. As at 31.12.2019, the limit was reached to the level PLN 400 m.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2019</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

In accordance to the credit agreements, the Company is obliged to maintain certain financial ratios at a defined level and to engage in business activities within the framework prescribed in the agreements. What is more, according to the credit agreements, the Company issued certain collaterals, details of which are presented in Note 33.

## NOTE 23.

### OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented below:

#### **FINANCIAL LIABILITIES AS AT 31.12.2019**

	as at 31.12.2019	as at 31.12.2018
Finance lease liabilities	-	1 874 590
Liabilities related to financing of franchisees*	20 303 719	23 593 244
Liabilities due to security instruments	842 825	3 695 592
	<b>21 146 544</b>	<b>29 163 426</b>
- long-term	38 415	281 330
- short-term	21 108 129	28 882 096

\* liabilities due to financing of franchisees relate to reverse factoring agreements due to trade receivables.



<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2019</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

## FINANCE LEASE

### FINANCE LEASE AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2019	as at 31.12.2018	as at 31.12.2018
	minimum lease payments	present value of minimum lease payments	minimum lease payments	present value of minimum lease payments
<i>Future minimum lease payments due to operating lease agreements</i>				
Less than one year	-	-	1 404 166	1 343 024
Between one and five years	-	-	576 933	531 566
More than five years	-	-	-	-
<b>Total future minimum lease payments due to finance lease agreements</b>	<b>-</b>	<b>-</b>	<b>1 981 099</b>	<b>1 874 590</b>
Finance costs	-	X	106 509	X
<b>Present value of minimum lease payments due to finance lease agreements</b>	<b>-</b>	<b>-</b>	<b>1 874 590</b>	<b>1 874 590</b>

Due to the implementation of the International Financial Reporting Standard 16 Leases ("IFRS 16"), liabilities under finance leases were presented for the last time as at 31 December 2018. From 1 January 2019, finance lease liabilities are presented under lease liabilities in accordance with p. 1.3 of these financial statements.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2019</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

**NOTE 24.  
LEASE LIABILITIES**

**LEASE AS AT 31.12.2019**

	as at 31.12.2019	as at 31.12.2019	as at 31.12.2018	as at 31.12.2018
	minimum lease payments	present value of minimum lease payments	minimum lease payments	present value of minimum lease payments
<i>Future minimum lease payments due to lease agreements</i>				
Less than one year	179 111 416	148 262 586	-	-
Between one and five years	518 562 806	439 839 695	-	-
More than five years	412 994 180	359 368 096	-	-
<b>Total future minimum lease payments due to lease agreements</b>	<b>1 110 668 402</b>	<b>947 470 377</b>	-	-
Finance costs	163 198 026	X	-	X
<b>Present value of minimum lease payments due to finance lease agreements</b>	<b>947 470 377</b>	<b>947 470 377</b>	-	-

Liabilities due to leasing agreements include all agreements that constitute or conclude leasing, in accordance with the International Financial Reporting Standard 16 Leasing ("IFRS 16"), starting from 1 January 2019, in accordance with p. 1.3 of these financial statements

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 25. INCOME TAX

Income tax for the reporting period is presented below:

### INCOME TAX FOR THE PERIOD FROM 01.01 TO 31.12.2019 (main components)

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
<i>Profit and loss account</i>		
Current income tax	(13 443 264)	(58 047 213)
Deferred income tax	(19 822 314)	13 661 685
<b>Total income tax</b>	<b>(33 265 578)</b>	<b>(44 385 528)</b>

### TAX RECONCILIATION FOR THE PERIOD FROM 01.01 TO 31.12.2019 (main components)

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
<b>Profit before tax</b>	<b>207 878 034</b>	<b>194 006 583</b>
Income tax calculated base on 19% income tax rate	(39 496 826)	(36 861 251)
Other permanent tax differences	(9 145 986)	(7 579 503)
Tax costs not being balance costs	1 135 677	-
Write-down of deferred tax assets	-	(127 779)
The tax impact of dividends received from Group companies	14 235 764	1 111 850
Costs of overdue liabilities	-	232 360
Balance income not being tax income	(6 391)	-
Tax income not being the balance income	(152 000)	(920 927)
Other differences	164 184	(240 278)
<b>Income tax in the profit and loss account</b>	<b>(33 265 578)</b>	<b>(44 385 528)</b>
<b>Effective tax rate</b>	<b>16,00%</b>	<b>22,88%</b>

### UNCERTAINTY CONNECTED WITH TAX SETTLEMENTS

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

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

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

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

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

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

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

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

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

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

On 28 February 2018, the Head of the Customs and Revenue Office for Wielkopolska Region in Poznań initiated an audit of corporate income tax for 2016. As at 12 March 2020, the audit was not completed.

On 17 December 2019, the Head of the Customs and Revenue Office for Wielkopolska Region in Poznań initiated a customs and tax audit in the area of corporate income tax for 2014 and 2015. As at 12 March 2020, the above-mentioned controls were not completed.

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

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

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

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2019</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

## NOTE 26. DEFERRED TAX

Deferred tax is presented below:

### DEFERRED TAX IN THE PERIOD FROM 01.01 TO 31.12.2019

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at 31.12.2019	as at 31.12.2018	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
<i>Deferred tax liabilities</i>						
- difference between tax and carrying amount of fixed assets	54 520 009	108 980 559	(54 460 551)	5 882 658	-	-
- future revenues	39 294 147	37 324 062	1 970 085	(20 069 117)	-	-
- revenues from accrued interests	1 286 964	1 339 972	(53 008)	298 573	-	-
- other	(1 936 622)	418 531	(2 355 153)	(87 929)	-	-
<b>Gross deferred tax liability</b>	<b>93 164 497</b>	<b>148 063 124</b>	<b>(54 898 627)</b>	<b>(13 975 815)</b>	<b>-</b>	<b>-</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2019</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

### DEFERRED TAX IN THE PERIOD FROM 01.01 TO 31.12.2019 (continued)

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at 31.12.2019	as at 31.12.2018	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
<i>Deferred tax liabilities</i>						
- bonuses	(815 140)	3 621 820	4 436 960	5 427 463	-	-
- allowance of inventories	3 373 627	2 112 888	(1 260 740)	12 854	-	-
- allowance for bad debts	15 210 284	15 054 354	(155 931)	38 308	-	-
- current tax loss	-	6 745 916	6 745 916	8 650 177	-	-
- accruals	9 153 265	6 881 043	(2 272 222)	1 655 141	-	-
- unpaid payroll and social securities	2 881 330	2 146 284	(735 046)	(50 098)	-	-
- accruals	16 171 660	11 405 738	(4 765 922)	(2 187 331)	-	-
- hedging instruments	160 137	702 163	542 026	-	542 026	(270 844)
- PCC due to the acquisition of Rogala, Madas, FHC-2 and PDA	167 426	-	(167 426)	-	-	-
- expenditures due to acquisition of Partner, DC2, DC3 and DC4	141 543	-	(141 543)	-	-	-
- correction of costs for unpaid liabilities	3 721 492	-	(3 721 492)	-	-	-
- other differences	18 996 896	29 625 674	10 628 778	(13 232 384)	-	-
<b>- deferred tax assets</b>	<b>69 162 521</b>	<b>78 295 879</b>	<b>9 133 358</b>	<b>314 130</b>	<b>542 026</b>	<b>(270 844)</b>
Allowance of deferred tax assets	-	-	-	-	-	-
<b>- deferred tax assets</b>	<b>69 162 521</b>	<b>78 295 879</b>	<b>9 133 358</b>	<b>314 130</b>	<b>542 026</b>	<b>(270 844)</b>
Deferred income tax effect			(45 765 268)	(13 661 685)	542 026	(270 844)
Efekt zmiany podatku odroczonego w korespondencji z kapitałem			65 587 583			
<b>Net deferred tax liability</b>	<b>24 001 976</b>	<b>69 767 245</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

The decrease in the provision due to the difference in the net value of property, plant and equipment and intangible assets is mainly related to the recognition of tax goodwill in correspondence with equity.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**NOTE 27.  
SALES IN THE REPORTING PERIOD**

Sales revenues are presented below:

**SALE IN THE PERIOD FROM 01.01 TO 31.12.2019**

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Sale of goods	15 125 915 389	14 697 738 394
Sale of services	73 671 358	78 202 504
<b>Total sale</b>	<b>15 199 586 747</b>	<b>14 775 940 898</b>

The sale of goods is homogeneous.

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

**NOTE 28.  
COSTS BY TYPE**

Costs by type are presented below:

**COSTS BY TYPE IN THE PERIOD FROM 01.01 TO 31.12.2019**

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Depreciation	284 373 043	115 740 618
Materials and energy	102 309 815	92 854 137
External services	403 775 095	601 328 465
Taxes and charges	33 223 933	29 428 815
Payroll	643 181 812	603 941 640
Social security and other benefits	116 026 494	110 185 784
Other costs	34 495 982	27 689 343
<b>Costs by type</b>	<b>1 617 386 175</b>	<b>1 581 168 802</b>
including:		
Selling expenses	1 336 791 130	1 317 493 794
General and administrative expenses	280 595 044	263 675 008

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 29.

### OTHER OPERATING INCOMES AND EXPENSES

Other operating incomes and expenses are presented below:

#### **OTHER OPERATING INCOME AND EXPENSES THE PERIOD FROM 01.01 TO 31.12.2019**

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
<b>Other operating income</b>	<b>56 036 225</b>	<b>41 874 022</b>
Penalties for suppliers	10 390 055	13 356 830
Other sales	5 738 814	8 092 440
Sub-lease of premises	4 840 588	3 331 960
Revenues from transport services	307 550	259 475
Compensation received	776 882	1 064 032
Bonus due to trade agreement	22 741 012	-
Early leasing termination	82 965	-
Profit on disposal of tangible fixed assets	753 036	-
Release of bad debts	7 463 387	-
Other (irrelevant individually)	2 941 935	15 769 285
<b>Other operating costs</b>	<b>(23 784 790)</b>	<b>(31 618 624)</b>
Allowance for bad debts	-	(535 561)
Losses from disposals of property, plant and equipment	-	(7 267 163)
Commission from payment cards	(3 745 908)	(2 922 426)
Litigations	(3 739 592)	(5 663 784)
Paid penalties	(2 233 545)	(1 959 967)
Donations	(1 257 039)	-
Costs of damages	(1 884 569)	-
Other (irrelevant individually)	(10 924 136)	(13 269 722)
<b>Other net operating income / expenses</b>	<b>32 251 435</b>	<b>10 255 398</b>



<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 30. FINANCE INCOMES AND COSTS

Finance incomes and costs are presented below:

### FINANCIAL REVENUES AND COSTS IN THE PERIOD FROM 01.01 TO 31.12.2019

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
<b>Financial income</b>	<b>103 975 252</b>	<b>95 862 636</b>
Profit from the sale of funds in subsidiaries	-	63 207 450
Dividends	74 925 076	5 851 841
Revenues from discounts	8 871 725	8 844 997
Interest	5 247 839	6 595 217
Foreing exchange gains	3 034 665	-
Other financial income (irrelevant individually)	11 895 947	11 363 131
<b>Financial expenses</b>	<b>(112 729 724)</b>	<b>(80 517 868)</b>
Interest	(104 101 825)	(73 550 140)
Commissions and bank charges	(3 733 904)	(3 063 008)
Foreing exchange losses	-	(509 338)
Other financial expenses (irrelevant individually)	(4 893 995)	(3 395 382)
<b>Net financial income / costs</b>	<b>(8 754 471)</b>	<b>15 344 768</b>

A significant change in dividend income results from the dividend paid by the subsidiary Eurocash Franczyza Sp. z o.o.

## NOTE 31. EARNINGS (LOSS) PER SHARE

Earnings (LOSS) per share are presented below:

### EARNINGS/ (LOSS) PER SHARE FOR THE PERIOD FROM 01.01 TO 31.12.2019

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
<i>Earnings</i>		
Profit/ (loss) for the period attributable to teh Parent's shareholders	174 612 455	149 621 055
<i>Number of issued shares</i>		
Weighted average number of shares	139 163 286	139 163 286
<b>Dilution effect of potential number of shares:</b>		
Convertible bonds	-	-
Weighted average number of shares (to calculate diluted earnings per share)	139 163 286	139 163 286
<b>Earnings (loss) per share</b>		
- basic	1,25	1,08
- diluted	1,25	1,08

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2019</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

#### **Calculation of weighted average number of shares**

The weighted average number of shares determined in order to calculate the value of basic earnings per share is calculated as the weighted average number of ordinary shares outstanding during the reporting period.

#### **Calculation of weighted average diluted number of shares**

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

The free of charge issue of ordinary shares means the difference between the number of ordinary shares which would be issued at the time of conversion of all diluting bonds convertible to ordinary shares and the number of ordinary shares which would be issued at average market value of ordinary shares during the period.

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

#### **Description of factors which dilute the number of shares**

Earnings per share are diluted as a consequence of implementation of share option schemes discussed in Note 18.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 32. TRANSACTIONS WITH SUBSIDIARIES

No significant non-arm's length transactions with subsidiaries were closed in 2019.

No allowances for receivables from related parties were recognized in 2019 by the Company.

Trade receivables	31.12.2019	31.12.2018
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	151 832 521	119 355 556
Firma Rogala Sp. z o.o.	24 091 415	26 739 547
Eurocash Serwis Sp. z o.o.	20 842 888	14 712 631
FHC-2 Sp. z o.o.	12 410 130	10 941 408
Duży Ben Sp. z o.o.	9 879 724	5 538 190
Eurocash Trade 1 Sp. z o.o.	5 791 728	5 367 653
Eurocash Franczyza Sp. z o.o.	4 425 991	6 037 774
Delikatesy Centrum Sklepy Sp. z o.o.	3 252 213	-
ABC na kołach Sp. z o.o.	1 572 734	1 014 913
Groszek Sp. z o.o.	1 540 300	
Lewiatan Holding S.A.	1 502 247	1 475 940
Cerville Investments Sp. z o.o.	1 329 936	2 031 513
Podlaskie Delikatesy Centrum Sp. z o.o.	1 304 768	-
Madas Sp. z o.o.	1 051 851	1 176 415
Kontigo Sp. z o.o.	802 470	294 557
Inmedio Sp. z o.o.	325 798	202 184
DEF Sp. z o.o.	283 568	184 385
Ambra Sp. z o.o.	269 679	154 402
Polska Dystrybucja Alkoholi Sp. z o.o.	216 788	124 904
Euro Sklep S.A.	194 231	1 279 415
Akademia Umiejętności Eurocash Sp. z o.o.	164 138	99 325
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	142 809	969 735
Lewiatan Wielkopolska Sp. z o.o.	133 349	187 764
Lewiatan Kujawy Sp. z o.o.	113 455	116 865
Lewiatan Śląsk Sp. z o.o.	105 857	181 040
Lewiatan Północ Sp. z o.o.	102 562	117 606
Lewiatan Opole Sp. z o.o.	88 212	56 752
EKO Holding S.A.	83 282	447 569
Lewiatan Orbita Sp. z o.o.	71 743	60 842
Detal Finanse Sp. z o.o.	68 206	81 944
Lewiatan Podlasie Sp. z o.o.	64 637	133 952
Lewiatan Zachód Sp. z o.o.	60 735	57 245
Partner Sp. z o.o.	46 375	-
Sushi 2 Go Sp. z o.o.	44 010	58 757
Eurocash Convenience Sp. z o.o.	40 881	487 057
Lewiatan Podkarpacie Sp. z o.o.	30 998	147 798
Premium Distributors Sp. z o.o.	13 171	6 593
Delikatesy Centrum Podlasie Sp. z o.o.	5 001	-
4vapers Sp. z o.o.	4 606	12 997
Eurocash VC3 Sp. z o.o.	984	1 968
Eurocash Detal Sp. z o.o.	-	10 987 272
MILA S.A.	-	4 258 840
JIM Sp. z o.o.	-	740 623
Detal Podlasie Sp. z o.o.	-	94 649
EC VC7 Sp. z o.o.	-	13 278
Eurocash Trade 2 Sp. z o.o.	-	178
<b>Total</b>	<b>244 305 994</b>	<b>215 952 036</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Other receivables	31.12.2019	31.12.2018
Eurocash Franczyza Sp. z o.o.	1 771 838	7 577
Eurocash Serwis Sp. z o.o.	586 006	762 316
Duży Ben Sp. z o.o.	552 916	377 768
Lewiatan Holding S.A.	388 262	198 719
Kontigo Sp. z o.o.	53 808	14 553
Lewiatan Opole Sp. z o.o.	42 071	8 245
Lewiatan Północ Sp. z o.o.	24 095	11 066
Euro Sklep S.A.	23 484	1 302 800
Groszek Sp. z o.o.	23 480	-
Lewiatan Śląsk Sp. z o.o.	16 167	29 781
Lewiatan Podlasie Sp. z o.o.	14 391	5 125
Lewiatan Kujawy Sp. z o.o.	12 126	8 912
Lewiatan Wielkopolska Sp. z o.o.	8 978	4 538
Lewiatan Orbita Sp. z o.o.	7 819	1 835
DEF Sp. z o.o.	7 171	2 952
Ambra Sp. z o.o.	6 467	1 071
Lewiatan Podkarpacie Sp. z o.o.	6 314	544
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	4 932	16 015
ABC na kołach Sp. z o.o.	3 334	369
Premium Distributors Sp. z o.o.	2 780	1 434
Eurocash Trade 1 Sp. z o.o.	2 583	2 583
ABC Sp. z o.o.	2 460	-
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	1 305	7 654
Lewiatan Zachód Sp. z o.o.	858	13 305
Akademia Umiejętności Eurocash Sp. z o.o.	68	-
EKO Holding S.A.	-	3 462
Cerville Investments Sp. z o.o.	-	1 789
Detal Podlasie Sp. z o.o.	-	361
<b>Total</b>	<b>3 563 715</b>	<b>2 784 774</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Trade payables	31.12.2019	31.12.2018
Lewiatan Holding S.A.	31 010 551	25 567 771
Eurocash Franczyza Sp. z o.o.	8 011 847	7 482 755
Eurocash Serwis Sp. z o.o.	4 697 982	7 585 018
Groszek Sp. z o.o.	4 255 672	-
Euro Sklep S.A.	1 869 275	1 742 911
Lewiatan Śląsk Sp. z o.o.	1 311 960	1 007 942
Lewiatan Kujawy Sp. z o.o.	1 144 619	1 008 974
Firma Rogala Sp. z o.o.	928 782	364 621
Lewiatan Wielkopolska Sp. z o.o.	747 017	602 151
Lewiatan Podlasie Sp. z o.o.	735 103	660 931
Cerville Investments Sp. z o.o.	679 390	1 137 807
Lewiatan Opole Sp. z o.o.	670 535	527 686
Lewiatan Północ Sp. z o.o.	606 111	608 431
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	544 280	775 707
Lewiatan Orbita Sp. z o.o.	424 424	355 554
Lewiatan Zachód Sp. z o.o.	413 126	408 052
DEF Sp. z o.o.	294 598	7 350
FHC-2 Sp. z o.o.	269 345	28 550
Lewiatan Podkarpacie Sp. z o.o.	239 971	190 914
EKO Holding S.A.	149 867	615 002
Podlaskie Delikatesy Centrum Sp. z o.o.	132 527	-
Polska Dystrybucja Alkoholi Sp. z o.o.	122 628	750 115
Premium Distributors Sp. z o.o.	109 046	32 698
Akademia Umiejętności Eurocash Sp. z o.o.	85 096	-
Detal Finanse Sp. z o.o.	49 597	-
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	34 840	-
Delikatesy Centrum Sklepy Sp. z o.o.	85 743	-
Madas Sp. z o.o.	28 799	-
Sushi 2 Go Sp. z o.o.	7 508	45 804
EC VC7 Sp. z o.o.	-	922 500
Eurocash Detal Sp. z o.o.	-	141 878
Eurocash Convenience Sp. z o.o.	-	32 927
Kontigo Sp. z o.o.	-	19 907
MILA S.A.	-	1 105
<b>Total</b>	<b>59 660 238</b>	<b>52 625 060</b>

Receivables from loans granted	31.12.2019	31.12.2018
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	30 789 712	-
Delikatesy Centrum Podlasie Sp. z o.o.	501 947	-
MILA S.A.	-	34 200 706
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	-	11 892 298
<b>Total</b>	<b>31 291 659</b>	<b>46 093 003</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Other payables	31.12.2019	31.12.2018
Eurocash Trade 1 Sp. z o.o.	1 558 725	1 558 725
Eurocash Franczyza Sp. z o.o.	688 781	685 128
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	535 597	1 442 264
Eurocash Serwis Sp. z o.o.	440 148	410 523
Firma Rogala Sp. z o.o.	205 175	1 284 309
FHC-2 Sp. z o.o.	152 698	416 424
Polska Dystrybucja Alkoholi Sp. z o.o.	115 980	-
EKO Holding S.A.	61 686	221 521
Lewiatan Zachód Sp. z o.o.	47 023	6 880
Lewiatan Kujawy Sp. z o.o.	19 950	70 706
Lewiatan Wielkopolska Sp. z o.o.	18 744	23 741
Premium Distributors Sp. z o.o.	16 547	68 411
Lewiatan Północ Sp. z o.o.	15 894	14 550
Madas Sp. z o.o.	9 320	33 333
Delikatesy Centrum Sklepy Sp. z o.o.	5 328	-
Lewiatan Śląsk Sp. z o.o.	4 697	9 905
Lewiatan Podkarpacie Sp. z o.o.	4 689	12 555
Lewiatan Podlasie Sp. z o.o.	2 296	185 287
Podlaskie Delikatesy Centrum Sp. z o.o.	1 807	-
Lewiatan Opole Sp. z o.o.	584	23 258
Lewiatan Orbita Sp. z o.o.	129	4 741
Ambra Sp. z o.o.	-	276 068
DEF Sp. z o.o.	-	206 872
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	-	198 214
Eurocash Detal Sp. z o.o.	-	126 838
JIM Sp. z o.o.	-	12 386
Kontigo Sp. z o.o.	-	41
<b>Total</b>	<b>3 905 797</b>	<b>7 292 680</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Sales of goods	01.01-31.12.2019	01.01-31.12.2018
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	700 742 389	584 089 248
Eurocash Serwis Sp. z o.o.	288 936 280	318 058 318
Firma Rogala Sp. z o.o.	287 771 385	255 291 780
FHC-2 Sp. z o.o.	151 910 093	142 115 271
Duży Ben Sp. z o.o.	38 651 017	11 488 478
Partner Sp. z o.o.	19 149 249	-
Madas Sp. z o.o.	15 758 558	18 736 059
Delikatesy Centrum Sklepy Sp. z o.o.	14 062 661	-
MILA S.A.	9 954 864	3 911 650
ABC na kołach Sp. z o.o.	7 286 398	4 808 874
Eurocash Detal Sp. z o.o.	5 780 230	12 137 651
Podlaskie Delikatesy Centrum Sp. z o.o.	5 486 428	-
JIM Sp. z o.o.	4 328 724	10 172 731
Polska Dystrybucja Alkoholi Sp. z o.o.	1 397 921	504 554
Inmedio Sp. z o.o.	1 378 136	578 596
DEF Sp. z o.o.	1 169 891	675 144
Eurocash Franczyza Sp. z o.o.	378 900	470 189
Kontigo Sp. z o.o.	294 506	52 809
Ambra Sp. z o.o.	237 704	138 426
Cerville Investments Sp. z o.o.	127 216	400 427
Euro Sklep S.A.	67 985	-
Akademia Umiejętności Eurocash Sp. z o.o.	19 261	-
Lewiatan Opole Sp. z o.o.	14 737	19 360
Lewiatan Orbita Sp. z o.o.	12 476	11 815
EKO Holding S.A.	10 171	448 675
Lewiatan Podlasie Sp. z o.o.	9 062	10 821
Detal Finanse Sp. z o.o.	7 517	-
Lewiatan Śląsk Sp. z o.o.	7 068	13 457
Groszek Sp. z o.o.	6 799	-
Lewiatan Kujawy Sp. z o.o.	4 441	4 044
Lewiatan Północ Sp. z o.o.	3 207	8 108
Lewiatan Zachód Sp. z o.o.	3 020	6 499
Lewiatan Holding S.A.	2 750	-
Lewiatan Wielkopolska Sp. z o.o.	1 815	11 220
4vapers Sp. z o.o.	1 534	-
Lewiatan Podkarpacie Sp. z o.o.	561	2 338
Eurocash Convenience Sp. z o.o.	394	468 967
Sushi 2 Go Sp. z o.o.	141	-
Detal Podlasie Sp. z o.o.	-	3 650 213
PayUp Polska S.A.	-	5 434
<b>Total</b>	<b>1 554 975 486</b>	<b>1 368 291 156</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Sales of services	01.01-31.12.2019	01.01-31.12.2018
Eurocash Franczyza Sp. z o.o.	35 287 842	34 011 144
Lewiatan Holding S.A.	9 423 082	9 245 980
Eurocash Serwis Sp. z o.o.	8 389 406	11 614 220
Duży Ben Sp. z o.o.	2 260 010	523 108
Groszek Sp. z o.o.	1 809 224	-
MILA S.A.	986 101	4 805
Kontigo Sp. z o.o.	816 157	602 040
Lewiatan Kujawy Sp. z o.o.	786 912	611 157
Lewiatan Śląsk Sp. z o.o.	751 849	597 033
Lewiatan Podlasie Sp. z o.o.	632 932	569 156
Lewiatan Północ Sp. z o.o.	583 754	374 971
Lewiatan Wielkopolska Sp. z o.o.	583 278	382 501
Lewiatan Opole Sp. z o.o.	526 926	309 033
EKO Holding S.A.	520 748	884 182
DEF Sp. z o.o.	400 676	382 704
Euro Sklep S.A.	378 162	5 189 126
ABC na kołach Sp. z o.o.	279 358	137 109
Polska Dystrybucja Alkoholi Sp. z o.o.	265 159	494 728
Lewiatan Zachód Sp. z o.o.	261 884	199 051
Akademia Umiejętności Eurocash Sp. z o.o.	258 829	22 574
Lewiatan Orbita Sp. z o.o.	253 800	139 652
Detal Finanse Sp. z o.o.	145 655	93 726
Lewiatan Podkarpacie Sp. z o.o.	130 358	144 368
FHC-2 Sp. z o.o.	113 592	113 592
Ambra Sp. z o.o.	104 543	269 971
Sushi 2 Go Sp. z o.o.	96 422	139 128
Cerville Investments Sp. z o.o.	81 490	9 698
Firma Rogala Sp. z o.o.	54 000	54 000
Inmedio Sp. z o.o.	43 925	42 000
Premium Distributors Sp. z o.o.	31 987	31 987
4vapers Sp. z o.o.	30 689	125 789
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	18 394	18 394
Eurocash VC3 Sp. z o.o.	9 600	9 600
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	9 141	12 782
Eurocash Detal Sp. z o.o.	8 686	17 372
Delikatesy Centrum Sklepy Sp. z o.o.	8 686	-
ABC Sp. z o.o.	2 000	-
Eurocash Trade 1 Sp. z o.o.	1 740	1 740
Eurocash Trade 2 Sp. z o.o.	1 740	1 740
Podlaskie Delikatesy Centrum Sp. z o.o.	436	-
PayUp Polska S.A.	-	247 568
Eurocash Convenience Sp. z o.o.	-	128 164
JIM Sp. z o.o.	-	10 649
Eurocash VC2 Sp. z o.o. w likwidacji	-	9 450
<b>Total</b>	<b>66 349 174</b>	<b>67 775 992</b>



Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Interest revenues	01.01-31.12.2019	01.01-31.12.2018
MILA S.A.	858 091	844 073
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	412 217	-
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	288 796	240 592
Eurocash Trade 1 Sp. z o.o.	257 032	257 671
Delikatesy Centrum Podlasie Sp. z o.o.	6 948	-
Kontigo Sp. z o.o.	5 637	2 515
Groszek Sp. z o.o.	2 847	-
Sushi 2 Go Sp. z o.o.	522	-
Detal Finanse Sp. z o.o.	513	-
Duży Ben Sp. z o.o.	139	-
Eurocash Detal Sp. z o.o.	125	-
PayUp Polska S.A.	-	19 728
Cerville Investments Sp. z o.o.	-	10 115
4vapers Sp. z o.o.	-	4 732
<b>Total</b>	<b>1 832 866</b>	<b>1 379 428</b>

Dividends	01.01-31.12.2019	01.01-31.12.2018
Eurocash Franczyza Sp. z o.o.	70 000 000	-
Firma Rogala Sp. z o.o.	3 162 871	2 546 276
FHC-2 Sp. z o.o.	1 053 927	1 144 013
Eurocash Serwis Sp. z o.o.	-	1 415 287
Madas Sp. z o.o.	-	148 443
<b>Total</b>	<b>74 216 798</b>	<b>5 254 020</b>

Other income	01.01-31.12.2019	01.01-31.12.2018
Groszek Sp. z o.o.	840 797	-
Eurocash Franczyza Sp. z o.o.	540 051	-
Eurocash Serwis Sp. z o.o.	250 844	343 889
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	4 932	-
ABC na kołach Sp. z o.o.	56	-
PayUp Polska S.A.	-	1 112
MILA S.A.	-	573
Eurocash Detal Sp. z o.o.	-	216
<b>Total</b>	<b>1 636 680</b>	<b>345 789</b>

Costs of goods sold	01.01-31.12.2019	01.01-31.12.2018
Lewiatan Holding S.A.	302 338 458	274 327 465
Eurocash Serwis Sp. z o.o.	109 285 962	93 574 538
DEF Sp. z o.o.	215 379	161 275
Premium Distributors Sp. z o.o.	7 088	73 812
<b>Total</b>	<b>411 846 887</b>	<b>368 137 090</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Costs of services	01.01-31.12.2019	01.01-31.12.2018
Eurocash Franczyza Sp. z o.o.	67 537 093	63 865 623
Eurocash Serwis Sp. z o.o.	36 737 000	41 664 536
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	31 976 839	27 282 598
Firma Rogala Sp. z o.o.	20 163 890	16 193 586
FHC-2 Sp. z o.o.	9 969 036	8 367 923
Euro Sklep S.A.	6 506 747	5 375 519
Lewiatan Śląsk Sp. z o.o.	4 937 559	4 403 894
Lewiatan Kujawy Sp. z o.o.	4 493 144	3 958 957
Groszek Sp. z o.o.	3 912 612	-
Lewiatan Podlasie Sp. z o.o.	3 202 052	3 208 895
Lewiatan Wielkopolska Sp. z o.o.	2 900 991	2 497 745
Lewiatan Północ Sp. z o.o.	2 690 144	2 382 041
Lewiatan Opole Sp. z o.o.	2 518 096	2 142 640
Lewiatan Zachód Sp. z o.o.	1 720 667	1 602 620
Lewiatan Orbita Sp. z o.o.	1 650 379	1 387 223
Madas Sp. z o.o.	1 000 551	1 039 727
Duży Ben Sp. z o.o.	851 879	139 075
Lewiatan Podkarpacie Sp. z o.o.	832 731	707 823
Lewiatan Holding S.A.	821 677	727 976
Delikatesy Centrum Sklepy Sp. z o.o.	499 692	-
Akademia Umiejętności Eurocash Sp. z o.o.	291 232	1 105 967
MILA S.A.	241 782	1 105
JIM Sp. z o.o.	227 722	467 293
DEF Sp. z o.o.	179 580	228 166
Eurocash Detal Sp. z o.o.	159 069	649 079
Podlaskie Delikatesy Centrum Sp. z o.o.	134 702	-
Polska Dystrybucja Alkoholi Sp. z o.o.	115 980	160 954
Premium Distributors Sp. z o.o.	75 313	21 638
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	38 321	32 365
Partner Sp. z o.o.	28 123	-
Ambra Sp. z o.o.	21 183	291 481
EKO Holding S.A.	-	476 521
Eurocash VC2 Sp. z o.o. w likwidacji	-	20 131
<b>Total</b>	<b>206 435 784</b>	<b>190 403 101</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

### NOTE 33.

#### REMUNERATION AND OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Members of the Management Board and the Supervisory Board are considered as key management personnel. The table below presents information of total remuneration, bonuses, rewards and other benefits paid or payable to the Members of the Management Board and the Supervisory Board during the period from 1 January 2019 to 31 December 2019.

There were no other transactions noted during the reporting period which would involve Members of the Management Board and the Supervisory Board.

#### REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD IN THE PERIOD FROM 01.01 TO 31.12.2019

	Basic salary	Other benefits	Management options	Total
<i>Remuneration of the Members of the Management Board</i>				
Luis Amaral	480 000	17 316	-	497 316
Rui Amaral	1 300 000	517 316	-	1 817 316
Arnaldo Guerreiro	855 000	28 836	-	883 836
Pedro Martinho	950 000	28 836	-	978 836
Katarzyna Kopaczewska	840 000	17 316	-	857 316
Jacek Owczarek	870 000	29 658	-	899 658
Przemysław Ciał	675 000	31 501	-	706 501
	<b>5 970 000</b>	<b>670 780</b>	-	<b>6 640 780</b>
<i>Remuneration of the Members of the Supervisory Board</i>				
Joao Borges de Assuncao	76 535	-	-	76 535
Alicja Kornasiewicz	76 536	-	-	76 536
Jorge Mora	140 633	-	-	140 633
Ewald Raben	140 633	-	-	140 633
Renato Arie	140 633	-	-	140 633
Francisco José Valente Hipólito dos Santos	216 584	-	-	216 584
Hans Joachim Körber	216 584	-	-	216 584
Jacek Sz wajkowski	76 536	-	-	76 536
	<b>1 084 672</b>	-	-	<b>1 084 672</b>

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD IN THE PERIOD FROM 01.01 TO 31.12.2018**

	Basic salary	Other benefits	Management options	Total
<i>Remuneration of the Members of the Management Board</i>				
Luis Amaral	480 000	17 316	-	497 316
Rui Amaral	1 560 000	17 316	-	1 577 316
Arnaldo Guerreiro	1 020 000	28 836	-	1 048 836
Pedro Martinho	1 200 000	28 906	-	1 228 906
Katarzyna Kopaczewska	960 000	17 316	-	977 316
Jacek Owczarek	1 080 000	28 836	-	1 108 836
Przemysław Ciał	775 667	34 215	-	809 882
Paweł Musiał	140 000	20 532	-	160 532
	<b>7 215 667</b>	<b>193 275</b>	-	<b>7 408 941</b>
<i>Remuneration of the Members of the Supervisory Board</i>				
Joao Borges de Assuncao	213 975	-	-	213 975
Eduardo Aguinaga de Moraes	67 515	-	-	67 515
Francisco José Valente Hipólito dos Santos	213 975	-	-	213 975
Hans Joachim Körber	213 975	-	-	213 975
Jacek Sz wajcowski	213 975	-	-	213 975
Alicja Kornasiewicz	147 055	-	-	147 055
	<b>1 070 470</b>	-	-	<b>1 070 470</b>

**NOTE 34.  
EMPLOYMENT**

The number of employees as at 31.12.2019 is presented below:

**NUMBER OF EMPLOYEES AS AT 31.12.2019**

	as at 31.12.2019	as at 31.12.2018
Number of employees	8 713	8 772
Number of full-time jobs	8 635	8 699

The employment structure as at 31.12.2019 is presented below:

**STRUCTURE OF EMPLOYMENT AS AT 31.12.2019**

	Wholesale discounts and distribution centres	Head office	Total
Number of employees	7 284	1 429	<b>8 713</b>
Number of full-time jobs	7 221	1 414	<b>8 635</b>

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2019</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

Employee turnover data as at 31.12.2019 are presented below:

**EMPLOYEE TURNOVER IN THE PERIOD FROM 01.01 TO 31.12.2019**

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Number of hired employees	2 960	2 837
Number of dismissed employees	(3 019)	(3 105)
	<b>(59)</b>	<b>(268)</b>

<b>Separate financial statements of EUROCASH S.A.</b>			
<b>Financial statements period:</b>	<b>1 January -31 December 2019</b>	<b>Presentation currency:</b>	<b>Polish zloty (PLN)</b>
<b>Level of round-offs:</b>	<b>All amounts are expressed in Polish zloty (unless indicated otherwise)</b>		

**NOTE 35.  
DATA CONCERNING ITEMS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION**

**CONTINGENCIES AS AT 31.12.2019**

No.	Beneficiary	Title	Currency	as at 31.12.2019	as at 31.12.2018
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	2 279 500 000
2	Bank 2 **	Surety for the Eurocash Group companies regarding the cash pool agreement in the amount of the credit limit	PLN	3 144 480 000	3 144 480 000
3	Company 1 **	Surety for liabilities of PayUp Polska S.A.	PLN *	3 000 000	1 290 000
4	Bank 3 **	Surety for trade liabilities of Eurocash Serwis Sp. z o.o. and Eurocash Trade 1 Sp. z o.o. resulting from the Factoring Agreement	PLN	-	480 000 000
5	Bank 4***	Surety for liabilities resulting from the "Franchise Partners Financing Program" for the Franchisee of Delikatesy Centrum	PLN	1 808 658	4 465 792
6	Bank 5 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Lease Agreement	PLN	1 932 201	2 323 414
7	Bank 6 **	Surety for liabilities of Eurocash Detal Sp. z o.o. under the Lease Agreement	PLN	-	203 734
8	Bank 7 ***	Surety for liabilities due to the lease agreements of Frisco S.A.	PLN	24 114 555	-
10	Bank 8 **	Surety for liabilities of Partnerski Serwis Detaliczny S.A. under the Lease Agreement	PLN	58 626	78 411
11	Bank 9 **	Surety for commitments of Frisco S.A. under the Sales Agreement	PLN *	-	6 911 000
12	Bank 10 **	Surety for liabilities of Eurocash Serwis Sp. z o.o., resulting from the Factoring Agreement	PLN	300 000 000	240 000 000
13	Bank 11 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Current Loan Agreement Agreement	PLN	165 000 000	165 000 000
14	Bank 12 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. due to the factoring agreement	PLN	50 000 000	-
15	Bank 13	Guarantee of the revolving loan of Frisco S.A.	PLN	-	5 000 000
16	Bank 14 ***	Surety for loan of Frisco S.A.	PLN	7 318 723	-
17	Bank 13 **	Surety for trade liabilities of Eurocash Serwis Sp. z o.o.	PLN	-	29 000 000
18	Company 2 **	Surety for liabilities of Mila S.A.	PLN	2 500 000	8 700 000
19	Company 3 **	Surety for liabilities of Eurocash Serwis Sp. z o.o.	PLN	1 000 000	-
20	Company 4 **	Surety for liabilities of ABC na Kolach Sp. z o.o.	PLN	200 000	-
21	Bank 18 **	Surety for liabilities of Eurocash Group Companies due to the factoring agreement	PLN	300 000 000	-
22	Company 5 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	20 389 296	-
23	Bank 19 **	Surety for liabilities of Frisco S.A. due to the factoring agreement	PLN	1 000 000	-
				<b>6 122 802 058</b>	<b>6 366 952 351</b>

\* - Guarantee in EUR is translated into PLNB at the average exchange rate of NBP:  
as at 31.12.2018: 1 EUR = 4,3000 PLN,  
as at 31.12.2019: 1 EUR = 4,2585 PLN.

\*\* at nominal value

\*\*\* at debt value as at balance sheet date

The amount of corporate sureties and guarantees launched by Eurocash S.A. as at 31 December 2019, amounted to PLN 453 million.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## OTHER BANK GUARANTEES AS AT 31.12.2019

No.	Bank	quarantee drawer	Title	Currency	as at 31.12.2019	as at 31.12.2018
1	Bank 1		Security for rent liabilities	PLN	663 689	1 522 370
2	Bank 2		Security for rent liabilities*	PLN*	20 503 630	28 472 665
3	Bank 3		Security for excise duty	PLN	500 000	300 000
4	Bank 4		Security for payment for suppliers	PLN	10 000 000	-
5	Bank 5		Security for payment with the use of national road viaToll	PLN	620 100	620 100
6	Bank 6		Security for promotional lottery	PLN	-	786 640
7	Bank 7		Payment security for suppliers *	PLN	10 839 796	15 414 936
8	Bank 8		Payment security for suppliers	PLN	30 500 000	30 000 000
9	Bank 9		Security for rent liabilities*	PLN	6 847 771	-
10	Bank 10		Payment security for suppliers *	PLN	8 517 000	-
11	Bank 11		Security for rent liabilities	PLN	314 445	-
12	Bank 12		Payment security for suppliers *	PLN	1 064 625	-
13	Bank 13		Payment security for suppliers	PLN	15 500 000	-
					<b>105 871 056</b>	<b>77 116 710</b>

\* - Guarantee in EUR is translated into PLNB at the average exchange rate of NBP:  
as at 31.12.2018: 1 EUR = 4,3000 PLN,  
as at 31.12.2019: 1 EUR = 4,2585 PLN.

## COLLATERALS

### SECURITY ON ASSETS AS AT 31.12.2019

Title	Secured property	as at 31.12.2019	as at 31.12.2018
Security of an agreement on a credit line **	Deposit on the inventories	90 000 000	90 000 000
Security of an agreement on a credit line **	Deposit on the inventories	88 000 000	88 000 000
Finance lease agreements (at net value of tangible fixed assets on the balance sheet date)	Deposit on fixed assets in financial leasing	677 424	1 024 668
		<b>178 677 424</b>	<b>179 024 668</b>

\*\* at the nominal value of the security

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## NOTE 36.

### FINANCIAL RISK MANAGEMENT

#### a. General information

The activity of the Company is a subject to the following categories of risk related to financial instruments:

- 1 Credit risk
- 2 Liquidity risk
- 3 Market risk

In addition, the Company implements a policy regarding:

- d. Capital management
- e. Determining fair values

This note contains information about the Company's exposure to each type of risk indicated above and also describes the objectives, policies and procedures related to risk and capital management. Disclosures of numerical data have been included in these consolidated financial statements.

The Company is a part of Capital Group Eurocash S.A. Its policy and strategy in the field of financial management results from the rules and procedures applicable throughout the Group. The Company is the Parent Entity in this Group.

The Management Board of the Parent Entity is responsible for determining and fulfilling the risk management policy, which in order to fulfill these tasks has set up risk management teams, whose responsibilities include building and monitoring individual risk management policy.

The risk management policy is implemented to identify and analyze risks related to the Company's activity and to set appropriate limits, control risk and monitor deviations from these limits. The risk management policy and system are regularly reviewed to ensure that they correspond to current changes in market conditions and the Company's operations. By raising qualifications, adopting standards and procedures, the Company strives for a disciplined and constructive control of the environment in which all employees understand their role and responsibilities.

The Parent Entity also has an internal audit department that controls the implementation of risk management policies and procedures within the scope of the tasks entrusted to it. An internal audit performs both scheduled inspections and ad hoc verification procedures in this regard.

#### b. Credit risk

Credit risk is the risk of financial losses by the Company as a result of the client or contractor being a party to a financial instrument failing to fulfill its contractual obligations. Credit risk is mainly associated with the Group's receivables from customers and financial investments.

The table below presents the maximum exposure of the Company to credit risk.



<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## CREDIT RISK EXPOSURE

	as at 31.12.2019	as at 31.12.2018
Accounts receivable and loans	1 178 256 509	1 174 136 384
Cash and cash equivalents	30 293 832	96 421 237
Bank guarantees	105 871 056	77 116 710
	<b>1 314 421 396</b>	<b>1 347 674 331</b>

\* excluding cash

### Trade and other receivables

The Group's credit risk due to receivables differs for individual groups of contractors with whom the Group cooperates:

- I. The sale of marketing services to suppliers of goods (promotional campaigns for goods, newsletters, advertising brochures) is subject to lower credit risk, as the receivables in this respect are, as a result of additional arrangements, largely deducted from liabilities to suppliers. This risk is managed in a team located in the Accounting Department, whose task is to correctly settle and offset receivables with the Group's liabilities on the basis of contracts with suppliers. The risk of non-payment is small due to the persistent natural advantage of the value of liabilities over receivables to suppliers. As part of managing the credit risk of this group of contractors, the Group focuses on ensuring working capital security.
- II. Cash & Carry wholesalers and own stores, Delikatesy Centrum (previously Mila and Eko stores). For Cash & Carry this percentage is 77%, for own stores close to 100% (no less than 95%). The credit risk of this group of contractors is managed in the credit control and debt collection team being part of the Treasury Department. The same computer methods and systems are used in this process, and the same staff is involved as in the following processes for credit sales to franchise networks and independent customers.
- III. Sales to franchise networks and to independent customers, taking into account all distributed categories, i.e. groceries, alcohol, tobacco products, gastronomy goods, etc. are mostly on credit. The share of credit sales in the Company constitutes about 70%. Past due, although they are an inseparable part of the business of the FMCG industry, they do not constitute only 11% of the total balance of receivables resulting from the sale of goods to the Company's customers. The level of losses resulting from the lack of payment for trade payables (including provisions for future losses) increased by insurance costs and collection of these receivables is historically at the lowest level and did not exceed 0.05% of the Company's sales value in 2019. In order to assess the quality of the portfolio, the company monitors, among others the level of customer concentration using the Herfindahl-Hirschman Index (HHI), which constantly remains at low levels below 150 in 2019. The credit risk management process including credit analysis, setting limits, blocking sales, insurance of receivables, soft debt collection and debt recovery was placed in the credit control and debt collection team.
- IV. Credit risk in financial investments - Cash and cash equivalents are invested in financial institutions of recognized reputation or instruments. The credibility check of these institutions consists in the financial analysis (including capital adequacy) of these entities and the monitoring of official ratings granted by such institutions as S&P, Moodys or Fitch. As at 31 December 2019, it is not expected that any counterparty of a financial transaction might fail to meet its obligations.

The Company monitors the amount of overdue receivables on an ongoing basis, in justified cases claims and write-downs are made.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

The Group writes off receivables in relation to expected credit losses which result directly from the risk of each client and are calculated on the basis of models that include, among others payment history, type of business, geolocation, evaluation of cooperation and financial data. In 2019, the analysis showed that the write-off calculated according to the expected loan loss model is highly correlated in value with the write-off made in accordance with the principle of significantly past due receivables.

#### **AGEING OF TRADE RECEIVABLES AND BAD DEBT ALLOWANCES AS AT 31.12.2019**

	Trade receivables gross value as at 31.12.2019	Trade receivables gross value as at 31.12.2018
current	974 542 822	877 131 692
0-30 days	111 368 303	155 035 045
31-90 days	19 305 210	39 019 649
91-180 days	8 368 483	1 794 724
> 180 days	47 145 309	49 510 103
	<b>1 160 730 127</b>	<b>1 122 491 213</b>

#### **ALLOWANCE FOR BAD DEBTS AS AT 31.12.2019**

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
<b>Opening balance</b>	<b>39 302 584</b>	<b>41 368 352</b>
Increases*	-	-
Decreases*	(646 792)	(2 065 768)
<b>Closing balance</b>	<b>38 655 791</b>	<b>39 302 584</b>
*net value		

#### **c. Liquidity risk**

The risk of losing financial liquidity is the risk of the Company being unable to repay its financial liabilities when they become due.

The policy of managing the risk of losing financial liquidity is to provide the funds necessary to meet the Group's financial and investment obligations when they become due, without incurring the risk of loss of reputation and unnecessary losses.

The basis for effective liquidity risk management in the Eurocash S.A. is the internal cash flow forecasting model. The Company's liquidity management focuses on detailed analysis, planning and taking appropriate actions in three areas:

- I. area covering investments in non-current assets and other long-term assets (e.g. acquisition of companies)

The investment horizon taken into account in these analyzes covers from one month to a maximum of 36 months. The company prepares plans to cover the obligations arising from these plans with appropriate capital or amendments to financing agreements. As at 31 December 2019, the company does not anticipate that investment plans will require maintaining long-term financial liabilities in the Company's balance sheet. Investment plans, in particular plans for the development of the retail network, are so low-capital that actions in the

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

field of capital changes or long-term financing agreements do not require adjustments. The company is prepared for potential changes in the scope and length of loan agreements in the event of a change in investment plans by maintaining balanced relationships on local money and capital markets. In addition, the company uses a revolving loan in its financial policy, whose long-term nature allows it to be used for potential investments, whether in fixed assets or acquisitions of business entities similar or complementary to the current operations of the Eurocash Group. At the same time, as at 31 December 2019, the company has facilities for organizing the issue of long-term bonds up to PLN 500m thanks to the open issue program.

## II. working capital

As at 31 December 2019, there was a surplus of the Company's current liabilities over its current assets in the amount of PLN 2,6 billion, which is typical for the industry in which the Eurocash Group operates, in which a significant part of sales is made on cash terms, inventory is minimized and past due receivables (in accordance with the procedures for the processes described in the 'credit risk' section above), and suppliers provide deferred payment terms.

- To finance liabilities to suppliers of goods, trade credit is used (about 54% of the balance of trade liabilities) and financial instruments (about 46% of the balance of trade liabilities). The Company uses financial instruments that facilitate capital management both for the Company and suppliers. In particular, the balance of liabilities in reverse factoring agreements as at 31 December 2019 was PLN 1,274,7 thousand. Trade liabilities covered by reverse factoring agreements do not significantly change the terms of trade liabilities.
- The company also has the possibility of financing receivables. The company maintains receivables factoring programs, but their use is currently marginal. The amount of financing does not exceed as at 31 December 2019 does not exceed PLN 146 million.

In 2019, in connection with changes in regulations regarding payment gridlocks (amendment to the Act of 8 March 2013 on preventing excessive delays in commercial transactions introduced by the Act of 19 July 2019 amending certain acts to reduce payment gridlocks (Dz.U. z 2019 r. poz. 1649), corporate income tax and value added tax in so-called white list and split payment methods (amendments to the Act of 11 March 2004 on tax on goods and services introduced, among others, by the Act of 12 April 2019 on the amendment to the Act on tax on goods and services and certain other acts (Dz.U. z 2019 r. poz. 1018) and the Act of 9 August 2019 amending the Act on tax on goods and services and certain other acts (Dz.U. z 2019 r. poz. 1751) and the amendment to the Act of on February 15, 1992 on corporate income tax introduced, among others, by the Act of 12 April 2019 amending the Act on tax on goods and services and certain other acts (Dz.U. z 2019 r. poz. 1018), The Company made changes to contracts with suppliers regarding payment terms and procedures regulating the circulation of accounting documents and making payments. The effect of these changes is a decrease in the working capital leverage by an amount that does not affect the financial needs of the Company and the Group.

## III. financial debt

Financial plans drawn up by the Management Board covering operational and investment flows indicate having sufficient sources of financing for operations and maintaining liquidity by the Company. Credit covenants included in credit agreements are monitored on an ongoing basis. As at the balance sheet date, 31 December 2019, the terms of the loan agreements were not violated. In addition, the Company has unused credit limits. Considering the above, as at the date of approval of these consolidated financial statements, there are no circumstances indicating a threat to the loss of liquidity by the Company. Debt of a financial nature consists primarily of:

- IFRS16 balance sheet liability resulting from the valuation of logistics and commercial space lease agreements, included in the balance sheet item 'leasing liabilities'. These obligations are

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

usually repaid to landlords who are not, in principle, financial institutions and usually take the form of monthly rent payments.

- Liabilities to repay bank loans, the total value of which is included in the balance sheet item 'bank loans and borrowings'. The limits granted under financing agreements relate to:
- with a revolving credit facility up to PLN 700 million. As at 31 December 2019, the limit was used up to PLN 400 million. The renewable line is the main financial security of the Group in the event of unfavorable financial scenarios being implemented and the need to carry out recovery plans.
- loans to realize the benefits of cash optimization under cash pool programs. The total limit granted in the company of these programs (2 programs in two local banks) is PLN 163.7 million. Use as at 31 December is PLN 114.4 million.
- for credit lines in current accounts, to which the Group's customers make payments. In order to optimize the costs of maintaining bank accounts, the Group maintains loans at several banks that are relatively related to specific customer groups. The sum of limits in these credit lines as at 31 December is PLN 20 million, and their utilization is PLN 16.8 million.

The Management Board of the Company recognizes that the term structure of assets and liabilities of the balance sheet determines the maturity of financing instruments. For this reason, as at 31.12.2019, the Group financed only short-term loans, borrowings, factoring and operating leasing. The strategy of matching the maturity of funding sources to the nature of the assets allows the Group to maintain flexibility in the selection of financial instruments and ensures cost effectiveness. By maintaining a relatively low financial leverage, the Group has the ability to select financing partners both on the local and foreign market.

The final repayment date of the revolving loan in the amount of PLN 700 million falls in September 2020. The Company has taken steps to refinance it and in accordance with the schedule set by the Management Board of the Company by the end of the third quarter of 2020, the loan will be replaced by a new revolving line with a similar limit and maturity of not less than 3 years. In connection with the aforementioned strategy of the balance sheet term structure, the Management Board does not recommend excessive extension of the operational financing maturity, unless there are circumstances justifying such extension, which may include acquisitions of business entities and significant investments in fixed assets.

- Other financial liabilities included in balance sheet items, respectively 'liabilities due to financing franchisees' and 'other financial liabilities', as well as off-balance sheet items regarding contingent liabilities. The main components of these three groups of liabilities are two sets of contracts:
- for factoring franchisees of Delikatesy Centrum, where the debt is the amount of the guarantee granted by the Company to a financial institution. The limit in this contract is PLN 65 million, while the use as at 31 December 2019 is PLN 21.3 million, and the surety for the same franchisees from their financial contracts for PLN 1.8 million.
- Guarantees of leasing and credit agreements for Frisco.pl Sp.z o.o. in total for PLN 31.4 million.

The following tables present the carrying amounts by contractual periods of their settlement without taking into account the debt settlement agreements:

<b>Separate financial statements of EUROCASH S.A.</b>			
<b>Financial statements period:</b>	<b>1 January -31 December 2019</b>	<b>Presentation currency:</b>	<b>Polish zloty (PLN)</b>
<b>Level of round-offs:</b>	<b>All amounts are expressed in Polish zloty (unless indicated otherwise)</b>		

#### AS AT 31.12.2019

	Net book value	< 12 months	1-5 years	over 5 years
Lease liabilities	947 470 377	148 262 586	439 839 695	359 368 096
Trade and other payables	2 921 190 867	2 919 870 367	1 320 500	-
Factoring	20 302 879	20 302 879	-	-
Bank overdrafts	1 387 439 995	1 387 439 995	-	-
Other finance liabilities	767 674	767 674	-	-
	<b>5 277 171 791</b>	<b>4 476 643 500</b>	<b>441 160 195</b>	<b>359 368 096</b>

#### AS AT 31.12.2018

	Net book value	< 12 months	1-5 years	over 5 years
Lease liabilities	1 874 590	1 343 024	531 566	-
Trade and other payables	2 937 837 869	2 936 776 069	1 061 800	-
Factoring	23 593 244	23 593 244	-	-
Bank overdrafts	1 014 433 854	1 014 433 854	-	-
Other finance liabilities	3 695 592	3 695 592	-	-
	<b>3 981 435 149</b>	<b>3 979 841 783</b>	<b>1 593 366</b>	<b>-</b>

#### a. Aging of trade payables

##### AGEING OF TRADE LIABILITIES AS AT 31.12.2019

	31.12.2019	31.12.2018
current	2 809 068 280	2 678 059 105
1-31 days	52 134 415	199 777 267
32-91 days	8 877 851	9 520 605
92-181 days	901 316	-
	<b>2 870 981 863</b>	<b>2 887 356 977</b>

#### b. Market risk

Market risk is associated with changes in demand, supply and prices as well as other factors that will affect the Group's results or the value of assets (such as foreign exchange rates, interest rates, and fuel and energy prices). The goal of market risk management is to maintain exposure to this risk within an acceptable framework while optimizing return on risk. The Company does not hedge the risk of changes in the prices of products, goods and raw materials traded by the Group.

#### I. Currency risk

Currency risk is not a significant threat to the Company's activity, because it accounts for the majority of its transactions in the national currency, and only a small part relates to payment in currency or payment indexed to exchange rates. The company monitors currency risk and makes decisions regarding potential collateral. The company allows the use of derivatives to manage currency risk. The Group's activities in this area are focused primarily on minimizing the volatility of financial flows, but it is allowed to use hedge accounting so as to minimize the volatility of profits and losses of the current period. Due to the low value of currency exposure,

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

the company did not take hedging measures in 2019. Both in 2019 and 2018, the Company did not have open positions in currency derivatives.

## II. Interest rate risk

The interest rate risk is associated with loans and advances drawn and granted, as well as with factoring programs. The following table presents the carrying amount of the Company's financial instruments exposed to interest rate risk, broken down by age category.

### INTEREST RATE RISK

#### 31 December 2019

	< 1 year	2-5 years	> 5 years	Total
Lease liabilities	148 262 586	439 839 695	359 368 096	<b>947 470 377</b>
Credits and loans	1 387 439 995	-	-	<b>1 387 439 995</b>

#### 31 December 2018

	< 1 year	2-5 years	> 5 years	Total
Lease liabilities	1 343 024	531 566	-	<b>1 874 590</b>
Credits and loans	1 014 433 854	-	-	<b>1 014 433 854</b>

The table below presents the Company's vulnerability profile (maximum exposure) to the risk of changes in interest rates by presenting financial instruments divided by variable and fixed interest rates:

### VARIABLE AND FIXED INTEREST RATE FINANCIAL INSTRUMENTS

	Present value 31.12.2019	Present value 31.12.2018
<b>Fixed interest rate instruments</b>		
Financial liabilities	948 238 051	5 570 182
<b>Floating interest rate instrument</b>		
Financial assets	1 315 104 142	1 272 230 361
Financial liabilities	4 328 933 741	3 975 864 967

The Group prepared an analysis of the sensitivity of financial instruments with variable interest rates to changes in market interest rates. The table below presents the impact of an increase and decrease of the interest rate by 100 bp on the gross financial result and on equity less the gross financial result. The analysis was conducted assuming that all other variables, such as currency exchange rates, remain unchanged. The analysis was prepared for the current year and for the comparable period, i.e. 2018.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<b>1 January -31 December 2019</b>	Presentation currency:	<b>Polish zloty (PLN)</b>
Level of round-offs:	<b>All amounts are expressed in Polish zloty (unless indicated otherwise)</b>		

#### **SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS**

	Income statement		Equity	
	increases 100bp	decreases 100bp	increases 100bp	decreases 100bp
31 December 2019	<b>(30 138 296)</b>	30 138 296	-	-
31 December 2018	<b>(27 036 346)</b>	27 036 346	-	-

The Company hedges the interest rate risk in order to reduce the impact of interest rate changes on the level of financial costs and to eliminate the mismatch from the settlement of revenues (regarding prepayment discounts between the Group and suppliers of goods) and costs (resulting from factoring programs).

As at 31 December the list of transactions concluded was:

Transaction date	Nominal value	Status	Beginning	End	Value as at 31.12.2019
05.09.2017	100 000 000	in progress	07.02.2019	07.02.2020	- <b>44 585,18</b>
05.09.2017	100 000 000	in progress	13.02.2019	13.02.2020	- <b>51 422,88</b>
07.09.2017	100 000 000	in progress	21.02.2019	21.02.2020	- <b>59 641,44</b>
17.04.2018	100 000 000	in progress	28.02.2019	28.02.2020	- <b>35 153,57</b>
10.04.2018	100 000 000	in progress	31.01.2019	31.01.2020	- <b>17 811,13</b>
05.10.2018	100 000 000	in progress	31.01.2019	31.01.2020	- <b>17 653,78</b>
27.12.2018	100 000 000	in progress	31.01.2020	29.01.2021	- <b>219 378,87</b>
27.12.2018	100 000 000	in progress	02.01.2020	31.12.2020	- <b>195 134,84</b>
15.01.2019	100 000 000	in progress	09.01.2020	11.01.2021	- <b>5 991,81</b>
15.01.2019	100 000 000	in progress	16.01.2020	18.01.2021	- <b>2 714,24</b>
15.01.2019	100 000 000	in progress	23.01.2020	25.01.2021	- <b>21 931,26</b>
09.04.2019	100 000 000	in progress	21.02.2020	22.02.2021	- <b>137 159,14</b>
26.06.2019	100 000 000	in progress	28.02.2020	26.02.2021	- <b>58 265,48</b>
26.06.2019	100 000 000	before start	22.02.2021	22.02.2022	- <b>136 893,51</b>
26.06.2019	100 000 000	before start	29.01.2021	31.01.2022	- <b>128 437,44</b>
06.06.2019	100 000 000	before start	11.01.2021	11.01.2022	- <b>139 637,63</b>
26.06.2019	100 000 000	before start	18.01.2021	18.01.2022	- <b>127 560,08</b>
26.06.2019	100 000 000	before start	25.01.2021	25.01.2022	- <b>130 316,60</b>
30.08.2019	100 000 000	in progress	02.09.2019	31.08.2022	- <b>201 649,52</b>
30.08.2019	100 000 000	in progress	02.09.2019	31.08.2022	- <b>201 649,52</b>
29.08.2019	100 000 000	in progress	02.09.2019	29.07.2022	- <b>160 223,58</b>

### III. Risk of changes in fuel and energy prices

The company's goal in managing fuel and energy purchase costs is to maintain a cost balance relative to its main competitors on the FMCG market. The company analyzes the correlations between the constituency, inflation and the cost of fuel and energy prices to determine whether hedging in this respect will allow it to maintain or improve its competitive position.

- The Company implements a central fuel purchase policy. The Fleet Department has procedures to periodically negotiate these prices and to settle settlement rules with suppliers. The strategy

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

to reduce the volatility of fuel prices assumes the use of various billing schemes with fuel suppliers based on fixed or variable prices, determining the possibility of changing price conditions with suppliers, as well as the use of derivatives. Both in 2019 and 2018, the Group did not have open positions in fuel derivatives.

- The Company implements a central energy purchase policy. Energy purchases are subject to the policy of purchasing individual components (clean energy and certificates) directly on the commodity exchange. Volatility about the risk of changes in energy prices are monitored and purchasing decisions, thanks to the direct purchasing model, are flexible and spread over time. Forward instruments may be used to reduce this volatility. Energy distribution services are also negotiated by the Company's headquarters departments.

### c. Capital management

The basic assumption of the Company's policy in the area of capital management is to maintain a strong capital base, which will be the basis of confidence on the part of investors, lenders and the market and which will ensure the future development of the Company. The Company monitors changes in shareholding, return on capital and the level of dividends paid to shareholders. The Company's goal is to achieve a capital return ratio at the level satisfying shareholders and to ensure the annual payment of dividend. In the presented period, no changes were introduced to the objectives, principles and processes in the field of capital management.

### d. Determining fair values

As at 31 December 2019, the fair value of financial instruments was similar to their carrying amount. The Group has instruments hedging interest rate risk, IRS, which are measured at fair value. For these IRS, the fair value was classified to level 2 of the hierarchy - the fair value is determined on the basis of values observed on the market, however, which are not a direct market quote (e.g. they are determined by direct or indirect reference to similar instruments existing on the market). In connection with the hedge accounting used, the valuation effect is recognized in other comprehensive income.

According to the Company's assessment, the fair value of cash, short-term deposits, trade receivables, trade payables, bank loans, loans and financial lease liabilities as well as other financial assets and liabilities does not differ from the balance sheet amounts.

## NOTE 37.

### OTHER SUBSEQUENT EVENTS

#### 1. Conclusion of a preliminary contract regarding the acquisition of 55.6% shares in Frisco S.A.

On 23 December 2019 between Eurocash S.A. and funds from the MCI Group - TV 1 Holding sp. z o.o., Helix Ventures Partners FIZ and MCI.PrivateVentures FIZ (acting on account MCI.Tech Ventures 1.0 subfund) a share sale agreement was concluded, regarding the acquisition by Eurocash S.A. of approx. 55.6% of shares in Frisco S.A. The closing of the Transaction is planned not later than by 30.06.2020. The estimated value of the Transaction will be approx. PLN 130 million.



<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2019</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

## NOTE 38.

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

After the period covered by the financial statements, there were no significant events requiring disclosure or affecting the situation or judgment of the Company's operations.

#### Coronavirus

We believe that, to the best of our knowledge and the current situation in Poland, the effect of coronavirus is not treated as an event after the balance sheet date that significantly affects the financial data as at 31 December 2019. We also believe that the further potential impact of the coronavirus on the financial results of the Company and the Group is very difficult to predict as at the date of this statement.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2019	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

## SIGNATURES OF MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President of the Management Board	Luis Amaral	12 <sup>th</sup> March 2020	
Management Board Member	Rui Amaral	12 <sup>th</sup> March 2020	
Management Board Member	Arnaldo Guerreiro	12 <sup>th</sup> March 2020	
Management Board Member	Pedro Martinho	12 <sup>th</sup> March 2020	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	12 <sup>th</sup> March 2020	
Management Board Member Financial Director	Jacek Owczarek	12 <sup>th</sup> March 2020	
Management Board Member	Przemysław Cias	12 <sup>th</sup> March 2020	
Management Board Member	Noel Collett	12 <sup>th</sup> March 2020	

**Statement of the Supervisory Board of Eurocash S.A.**  
**Regarding Audit Committee of Supervisory Board of Eurocash S.A.**

Supervisory Board of Eurocash S.A. hereby confirms that:

- 1) Eurocash S.A. comply with the legal requirements regarding the appointment, composition and functioning of the audit committee, including fulfilling the independence criteria of its members, their knowledge and skills on the scope of activities conducted by the Eurocash S.A. and on accounting and reviewing of the financial statements,
- 2) the Audit Committee of the Supervisory Board of Eurocash S.A. fulfilled its legal obligations as required by common binding law.

Legal basis:

§ 70 Sec 1 Item 8 and § 71 Sec. 1 Item 8 of Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information published by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognized as equivalent

Komorniki, 12<sup>th</sup> March 2020

---

Dr Hans Joachim Körber  
Chairman of the Supervisory Board

---

Renato Arie  
Member of the Supervisory Board

---

Jorge Mora  
Member of the Supervisory Board

---

Ewald Raben  
Member of the Supervisory Board

---

Francisco José Valente Hipólito dos Santos  
Member of the Supervisory Board

*Due signatures on the original*

**Valuation**  
**of the Supervisory Board of Eurocash S.A. with reasoning**  
**concerning the consolidated financial statements of the Capital Group**  
**of Eurocash S.A. for 2019, the financial statement of Eurocash S.A. for 2019,**  
**the Management Board report on the operations of Eurocash S.A. Capital Group for 2019**  
**and the Management Board report on the operations of Eurocash S.A. for 2019**  
**as regards their conformity**  
**with books, documents and facts**

The Supervisory Board of Eurocash S.A. on the basis of:

- 1) the consolidated financial statement of the Capital Group Eurocash S.A. for 2019 and the financial statements of Eurocash S.A. for 2019,
- 2) the Management Board report on the operations of Eurocash S.A. Capital Group for 2019 and the Management Board report on the operations of Eurocash S.A. for 2019,
- 3) the reports from the examination of the separate and consolidated financial statements and the additional report of the auditing company for Audit Committee of the Supervisory Board of Eurocash S.A,
- 4) meetings with representatives of the audit firm,
- 5) recommendation of the Audit Committee of the Supervisory Board of Eurocash S.A. regarding the opinion on the audited financial statements,

made a positive valuation of:

- 1) the consolidated financial statement of the Capital Group Eurocash S.A. for 2019,
- 2) the financial statement of Eurocash S.A. for 2019,
- 3) the Management Board report on the operations of Eurocash S.A. Capital Group for 2019,
- 4) the Management Board report on the operations of Eurocash S.A. for 2019.

with regard to their conformity with books, documents and facts.

In the opinion of the independent expert auditor the financial statements of Eurocash S.A. and the consolidated financial statement of Eurocash S.A. Capital Group present a reliable and clear picture of the assets and financial situation of Eurocash S.A. and Eurocash S.A. Capital Group as at 31 December 2019 and of the financial result for the financial year as from 01 January 2019 to 31 December 2019, in accordance with International Accounting Standards, International Financial Reporting Standards and accounting principles (policy), and is consistent as to form and contents with applicable laws.

In the opinion of the independent expert auditor the Management Board report on the operations of Eurocash S.A. for 2019 and Eurocash S.A. Capital Group in 2019 was prepared in accordance with the applicable regulations and is consistent with the information contained in the financial statements of Eurocash S.A. and Eurocash S.A. Capital Group.

In the opinion of the Supervisory Board of Eurocash S.A. the submitted financial statements for 2019, including the statement of financial position, the separate profit and loss account and the separate statement of comprehensive income, the separate statement of changes in equity and the separate

cash flow statement, reflect correctly and reliably the result of the Company's business activity for the above financial year and the Company's assets and financial situation as at 31 December 2019.

In the opinion of the Supervisory Board, the submitted consolidated financial statement for 2019, including the consolidated statement of financial position, consolidated profit and loss account and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement reflect correctly and reliably the result of the business activity of the Company's Capital Group for the above financial year and the assets and financial situation of the Company's Capital Group as at 31 December 2019.

In the opinion of the Supervisory Board, the reports of the Management Board on the operations of Eurocash S.A. and Eurocash S.A. Capital Group for 2019 were prepared in a reliable and exhaustive manner.

Legal basis:

Art. 382 § 3 of the Commercial Companies Code, § 14.2 (i) of the Statute of Eurocash S.A., § 70 Sec. 1 Item 14 and § 71 Sec. 1 Item 12 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state.

Komorniki, 12<sup>th</sup> March 2020

---

Dr Hans Joachim Körber  
Chairman of the Supervisory Board

---

Renato Arie  
Member of the Supervisory Board

---

Jorge Mora  
Member of the Supervisory Board

---

Ewald Raben  
Member of the Supervisory Board

---

Francisco José Valente Hipólito dos Santos  
Member of the Supervisory Board

*Due signatures on the original*

## EUROCASH S.A. MANAGEMENT BOARD STATEMENT

Acting pursuant to § 70 Sec. 1 Item 6 and § 71 Sec. 1 Item 6 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state Management Board of Eurocash S.A. represent that - to its best knowledge:

- the annual financial statements of Eurocash S.A. and consolidated annual financial statements of Eurocash S.A. Capital Group and comparative data were drawn up in accordance with the applicable accounting principles and give, diligent, and transparent view of the economic and financial position of Eurocash S.A. and Eurocash S.A. Capital Group and of their financial performance for 2019,
- the report of the Management Board on business operations of Eurocash S.A. and Eurocash S.A. Capital Group in 2019 contains a true view of the development, achievements, and the position of Eurocash S.A. and Eurocash S.A. Capital Group, including the description of main risks and threats.

Komorniki, 12<sup>th</sup> March 2020

---

Luis Amaral  
President of the Management Board

---

Rui Amaral  
Member of the Management Board

---

Pedro Martinho  
Member of the Management Board

---

Arnaldo Guerreiro  
Member of the Management Board

---

Katarzyna Kopaczewska  
Member of the Management Board

---

Jacek Owczarek  
Member of the Management Board

---

Przemysław Ciaś  
Member of the Management Board

---

Noel Collett  
Member of the Management Board

*Due signatures on the original*

## EUROCASH S.A. MANAGEMENT BOARD INFORMATION

Acting pursuant to § 70 Sec. 1 Item 7 and § 71 Sec. 1 Item 7 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state the Management Board of Eurocash S.A. submits information prepared on the basis of the Supervisory Board's statement that on 9th May 2019 the Supervisory Board selected an auditing company that audited the annual standalone and consolidated financial statements of Eurocash S.A. and Eurocash S.A. Capital Group in accordance with the regulations and procedure for selecting an audit firm, indicating that:

- the audit firm and the members of the audit team met the conditions for drawing up an impartial and independent audit report on the standalone and consolidated annual financial statements in accordance with applicable regulations, professional standards and professional ethics,
- the applicable regulations related to the rotation of the audit firm and the key statutory auditor and mandatory grace periods are observed,
- the Company has a policy regarding the selection of an auditing company and a policy for providing the Company with an auditor, an entity related to the auditing company or a member of its network of additional non-audit services, including conditionally exempt services from the audit company.

Komorniki, 12<sup>th</sup> March 2020

---

Luis Amaral  
President of the Management Board

---

Rui Amaral  
Member of the Management Board

---

Pedro Martinho  
Member of the Management Board

---

Arnaldo Guerreiro  
Member of the Management Board

---

Katarzyna Kopaczewska  
Member of the Management Board

---

Jacek Owczarek  
Member of the Management Board

---

Przemysław Ciaś  
Member of the Management Board

---

Noel Collett  
Member of the Management Board

*Due signatures on the original*