

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2020	
REPORT OF THE MANAGEMENT BOARD	Strona 1

This document is a pdf copy of the official annual report, which was produced in xhtml format

EUROCASH S.A.

REPORT OF THE MANAGEMENT BOARD

FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020



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, 10th March 2021

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2020	
REPORT OF THE MANAGEMENT BOARD	Strona 2

ANNUAL REPORT

- 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

Dear Shareholders, Partners, Clients and Employees,

25 years of EUROCASH - this should have been the leitmotif of 2020. 25 years ago we believed in the Polish entrepreneurs and against all odds, we decided to bet on traditional independent trade. When everyone was building hipermarkets and discount stores, we spent the last 25 years fighting for the retailers whose ambition was to run their own stores.



Our goal for the first 15 years was to achieve a proper business scale so that our Clients could effectively compete with the international chains. We succeeded and did it through mergers, acquisitions and building a complex supply chain. The next 5 years we have worked over improving our supply chain effectiveness to make it the best one in the market. Thanks to our 18 distribution centers, 180 cash and carry locations and our specialized wholesalers, we were able to supply products in competitive prices all over Poland, including the smallest villages. At the same time we have integrated wholesale and retail through our franchise systems in order to assure retail solutions supporting our Clients not only in their daily work, starting with regular high quality fresh products deliveries, but also through providing digital solutions. The last 5 years have been dedicated to digitalization of our wholesale business through launching our innovative platforms like EUROCASH.pl, our B2B marketplace and unique, in the European FMCG wholesale market, POS integration system for our Clients [i.e. Innovative Trade Platform]

Innovation direction has also played a key role in our retail segment. We have developed the biggest proximity supermarket chain - Delikatesy Centrum - where the entrepreneurship of our Clients and their cooperation with us resulted in providing the Polish consumers with high quality food. Tools such as Delikarta, with more than Mio 2 users, help us understand and fulfill consumers' needs.

Frisco - our online supermarket – with a market share in Warsaw exceeding 50% has also become a reference point for the online grocery market in the Polish capital - now time for expansion to other Polish cities.

New retail concepts such as alcohol stores Duzy Ben and cosmetic stores Kontigo introduce excellent specialized formats to our cities and shopping centers. Our beloved ABC on wheels supplies high quality food to people in the smallest villages, who are not able to visit stores on daily basis – we just 'bring them our stores', in other words 'stores visit them'.

We have always been doing what we believed in. We had better and worse years but throughout those 25 years we have never lost our focus on the Polish independent trade and it will remain our priority.

This year, obviously, we cannot just focus on our history when 2020 was the toughest year all over the world since the last World War - more than Mio 2.5 people passed away as a result of COVID-19. Our lifestyles have changed dramatically, as well as our relations with friends and families. This year we became part of the first front line in the fight against epidemics in Poland. Our mission was to supply food to all Poles. In those difficult times we have supported entrepreneurs cooperating with us to make it possible for them to provide their clients – millions of consumers - with what they needed most. The way in which Eurocash adjusted to the new reality, the way our people fulfilled their mission – frequently risking their health –mean to me success and make me proud that I am in charge of such a company. This letter would not be complete without special thanks to all our Employees and Clients who made it possible. This year not our results or growth were of key importance, but our mission

realization - we had to help Poland in this important, difficult moment and we did it in a very special way.

Yours sincerely,

Luis Amaral
Eurocash CEO

Table of contents

1. SUMMARY OF EUROCASH OPERATIONS IN 2020.....	3
2. EUROCASH GROUP BUSINESS OVERVIEW.....	4
2.1. Market Environment	4
2.2. Eurocash Group: Business Formats	10
2.3. Number of outlets	12
2.1. Sales Structure	12
2.2. Structure of the Eurocash Capital Group	12
3. EUROCASH DEVELOPMENT PROSPECTS	15
3.1. Eurocash Development Strategy	15
3.2. Factors impacting Development of Eurocash	16
3.3. Risks and Threats	19
3.4. Note on seasonality	25
4. MANAGEMENT DISCUSSION OF EUROCASH FINANCIAL PERFORMANCE FOR 2019	26
4.1. Principles applied in the preparation of annual consolidated financial statements.....	26
4.2. Profit and Loss Account	26
4.3. Balance Sheet Data	27
4.4. Key Off-balance Sheet Items	29
4.5. Eurocash Cash Flow Analysis.....	29
4.6. Investment Activity	31
4.7. Key Contributors to 2020 Financial Performance of Eurocash S.A.	32
5. ADDITIONAL INFORMATION.....	33
5.1. Information on Court Proceedings	33
5.2. Information on Significant Agreements	33
5.3. Information concerning execution by the issuer or its subsidiary transaction with related parties	33
5.4. Information on Transactions with Connected Entities.....	34
5.5. Forecasts Publication	34
5.6. Changes in Key Management Principles	34
5.7. Agreements with Members of the Management Board as Financial Compensation Guarantees	34
5.8. Information on Registered Audit Company	35
6. STATEMENT ON CORPORATE GOVERNANCE RULES.....	36
6.1. Indication of Corporate Governance Rules Applicable to Issuer	36
6.2. Shareholders structure	36
6.3. Diversity in the workplace	38
6.4. The parent's governing bodies.....	39
6.5. Discussion of Amendments to Issuer's Statutes	47
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	48

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2020	
REPORT OF THE MANAGEMENT BOARD	Strona 2

6.7. Information on Employee Shares Control System	48
6.8. Key Features of Internal Control and Risk Management Systems Applied by the Company in Drafting Financial Statements.....	49
6.9. Information regarding Audit Committee	50
7. STATEMENT ON NON-FINANCIAL INFORMATION.....	53
7.1. Business model	53
7.2. Description of the Eurocash Group Corporate Social Responsibility Management	54
7.3. Description of policies applied by Eurocash Group in key non-financial areas	56
8. REPRESENTATIONS OF THE MANAGEMENT BOARD.....	61
8.1. Appointment of Entity Qualified to Audit Financial Statements.....	61
APPENDIX: Financial Ratios Definitions	62

1. SUMMARY OF EUROCASH OPERATIONS IN 2020

Table 1. Eurocash: Summary of 2010 Financial Performance

PLN m	2020	2019	Change %
Sales revenues (traded goods, materials)	16 109,13	15 199,59	5,98%
Gross profit (loss) on sales	1 888,64	1 801,77	4,82%
Gross profitability on sales (%)	11,72%	11,85%	-0,13 p.p.
EBITDA	535,90	501,01	6,97%
(EBITDA margin %)	3,33%	3,30%	0,03 p.p.
EBIT	253,06	216,63	16,81%
(EBIT margin %)	1,57%	1,43%	0,15 p.p.
Gross profit	161,73	207,88	-22,20%
Net Income	128,94	174,61	-26,16%
(Net profitability %)	0,80%	1,15%	-0,35 p.p.

Sales of Eurocash S.A. in 2020 r. reached PLN 16 109,13 m. Gross margin on sales realized by Eurocash S.A. in 2020 r. decreased by 0,13 p.p. YoY and amounted to 11,72%. In 2020 EBITDA amounted to PLN 535,90 m. and increased by 6,97 %. The growth of EBITDA was attributable to better performance of Wholesale segment.

The net profit in 2020 amounted to PLN 128,94 m. and decreased by 26,16%.

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 2020 amounted to 180 outlets. Number of abc loyalty scheme stores amounted to 9 317. The franchise and partner networks cooperating with Eurocash Dystrybucja included 5,251 stores. The number of small supermarkets increased to the level of 1 573, including 1 545 stores operating under the Delikatesy Centrum brand. The number of Inmedio newsagents amounted to 432.

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 2: Macroeconomic situation in Poland

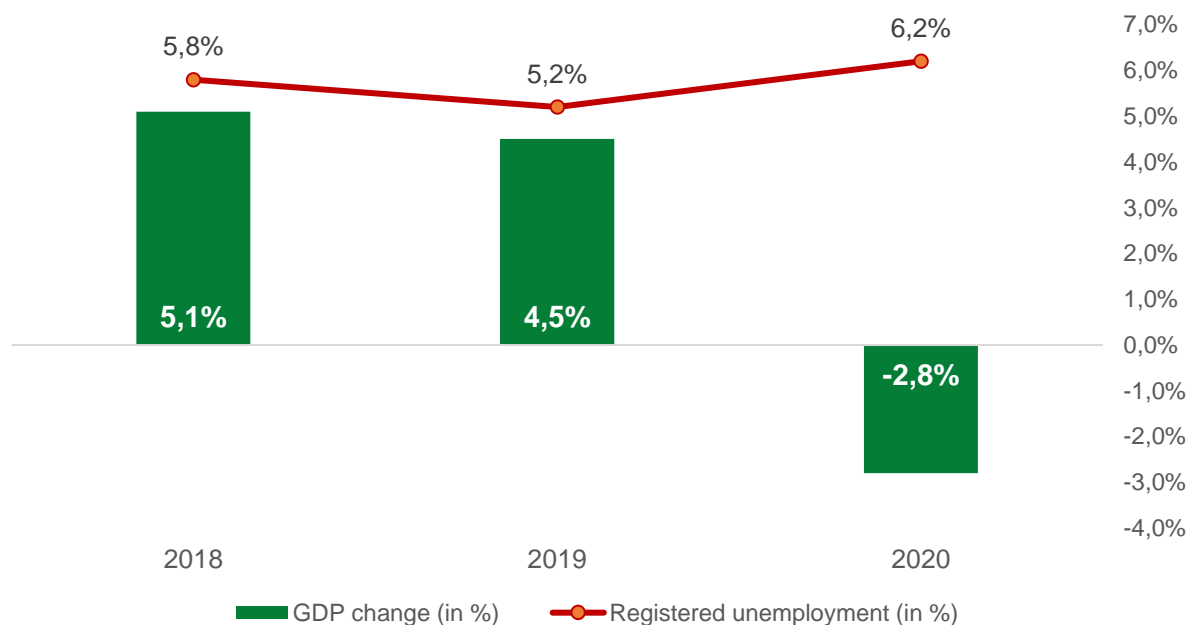
	2020	2019	2018
GDP change* (in %)	-2,8	4,5	5,1
Registered unemployment** (in %)	6,2	5,2	5,8
Wage dynamics in Poland (in%) nominally	6,6	6,5	7,0
Consumer price index change (in %)	3,4	2,3	1,6

Source: Polish Central Statistical Office

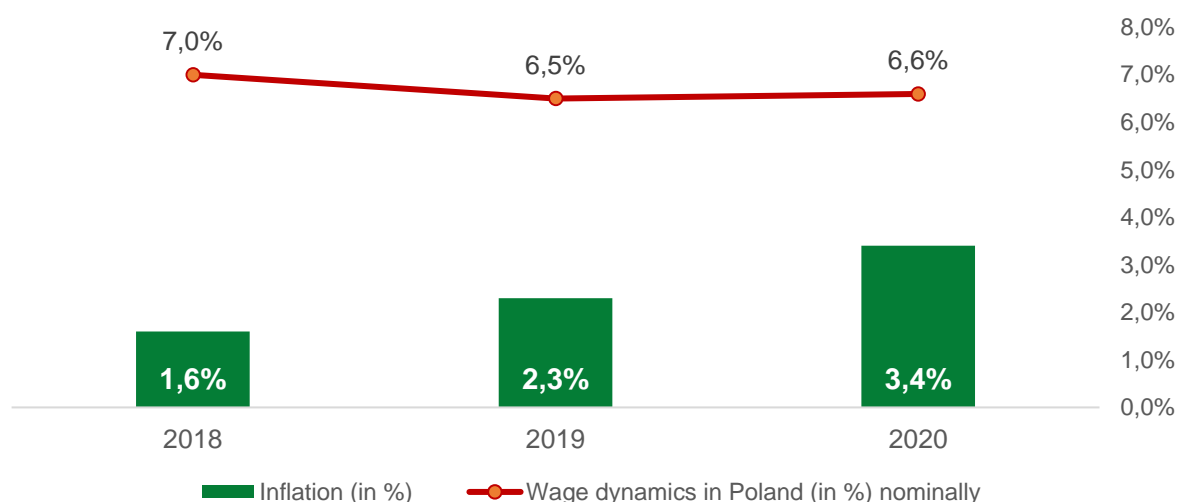
* Preliminary data for 2020

** 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 2020 to -2.8% compared to 4.5% in 2019. The overall decline in GDP levels was driven by the COVID-19 pandemic situation. Gross added value in trade and repair decreased by 4.0% YoY, compared to an increase of 5.4% in 2019. Gross value added in manufacturing in 2020 decreased by 0.2% YoY, compared to an increase of 4.3% in 2019. Gross value added in construction in 2020 decreased by 3.7% YoY, compared to a decrease of 4.1% in 2019. In 2020 total consumption decreased by 1.5% in real terms, including consumption in the household sector by 3.0% (up 4.4% and 4.0% in 2019, respectively).

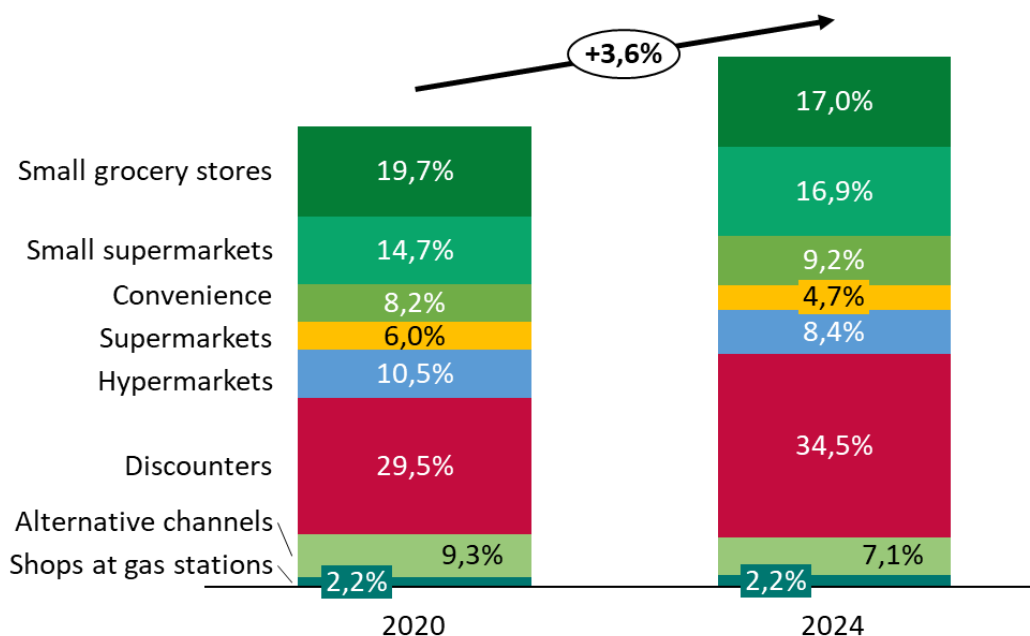
The increase in operating expenses, which are significantly linked to the increase in wages, also has a remarkable impact on the operations of enterprises in Poland. In years 2018-2019, the dynamics of gross wages and salaries in private enterprises ranges from 6.5% to 7.0% and in 2020 it amounted to 6.6% (data from the Central Statistical Office). In the same period, inflation of consumer goods and services was recorded in Poland, which in 2020 amounted to 3.4% YoY.

Prices of food and non-alcoholic beverages in 2020 increased by 4.7% and prices of alcoholic beverages and tobacco products increased by 4.4% YoY.

At the end of December 2020, the registered unemployment rate in the country improved comparing to the previous year and amounted to 6.2%.

Polish FMCG market - general information

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

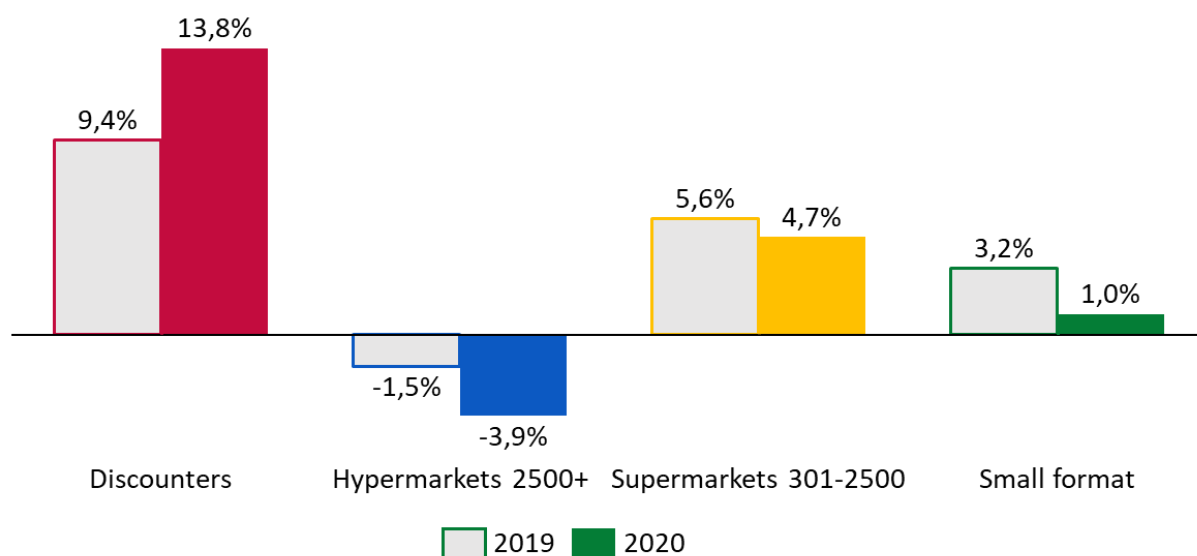
Chart 3. Structure of the FMCG market in Poland

Source: Own estimates based on PMR data

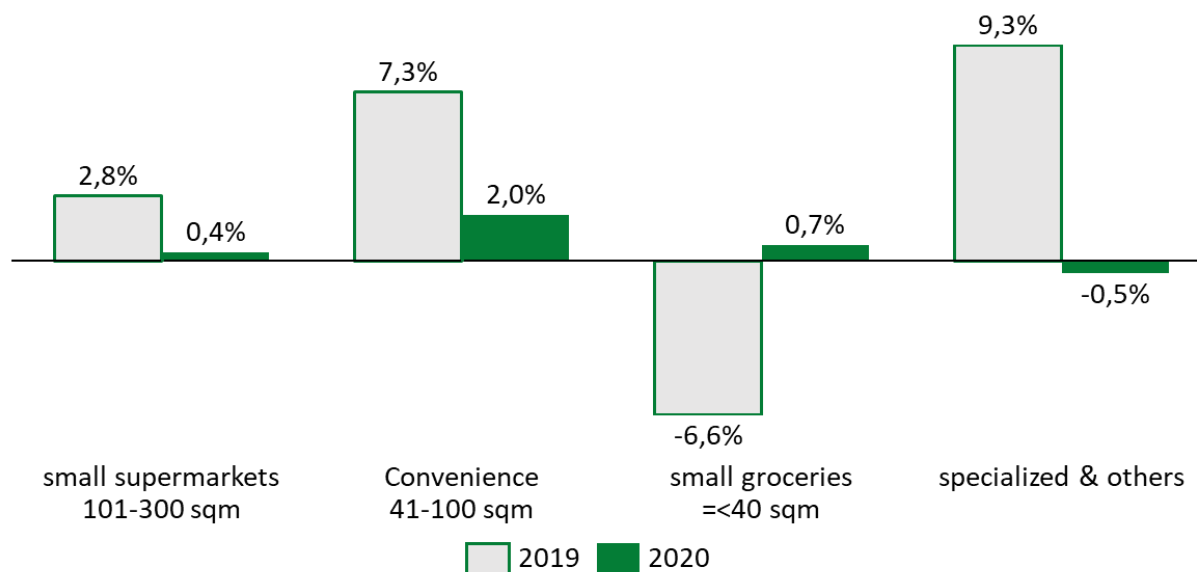
The total value share of large-format stores has been changing in favor of discount chains for several years. This trend, according to the analyzes of the PMR agency, will persist.

At the same time, the number of small-format stores decreased by 3.7%, reaching the level of approx. 91.0 thousand stores at the end of 2020 (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 150 sqm.

However, the sale of stores that remain on the market is growing quite fast which translates into a 1.0% increase in sales of small format stores compared to last year. Sales dynamic per store is growing the fastest in discounters. The sales of convenience stores (from 40 to 100 sqm) recorded a 2.0% YoY increase and specialized stores recorded an decrease of 0.5% YoY. Small supermarkets with an area of 101-300 sqm increased by 0.4% YoY and stores below 40 sqm despite the fact that their number decreased the fastest, noted a growth in sales of 0.7% YoY. Among large format stores, discounters recorded an increase in sales by 13.8% YoY, while large supermarkets sales increase amounted to 4.7% YoY. The hypermarket segment, again recorded a drop in sales, in 2019 by 3.9% YoY.

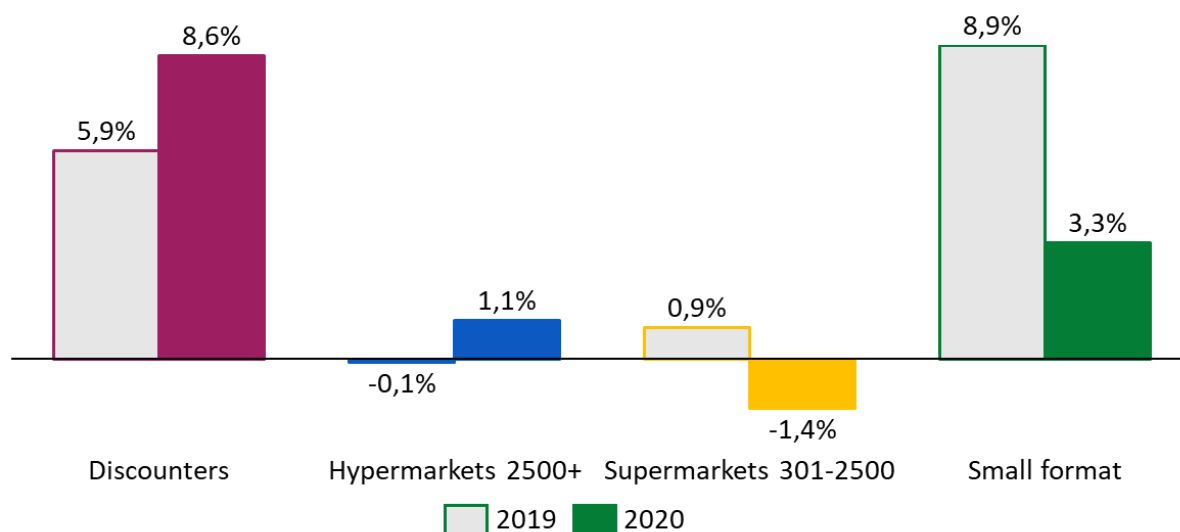
Chart 4. Sales dynamics on the food market by distribution channels

Source: Nielsen Retail Trade Panel, Value sales, period: January 2018 – December 2020, Food categories

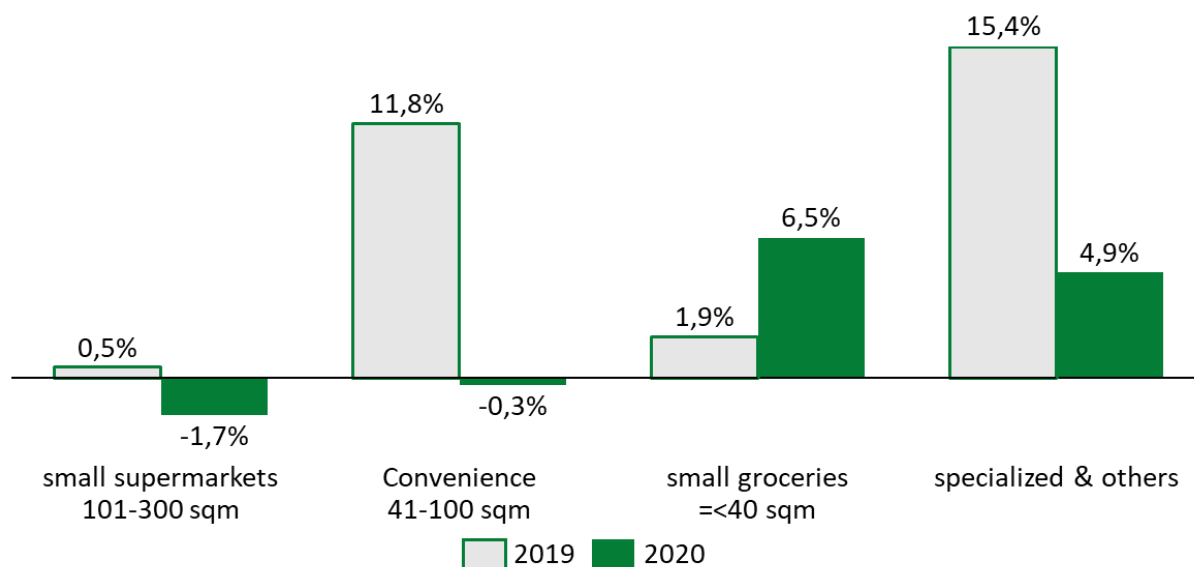
Chart 5. Sales dynamics on the food market in small-format stores

Source: Nielsen Retail Trade Panel, Value sales, period: January 2018 – December 2020, Food categories

According to the Nielsen, value of the FMCG market in 2020 in Poland increased by 5.7% in comparison with the 2019.

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

Source: Own estimates based on Nielsen Retail Trade Panel, Value sales, period: January 2018 – December 2020, Food categories

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

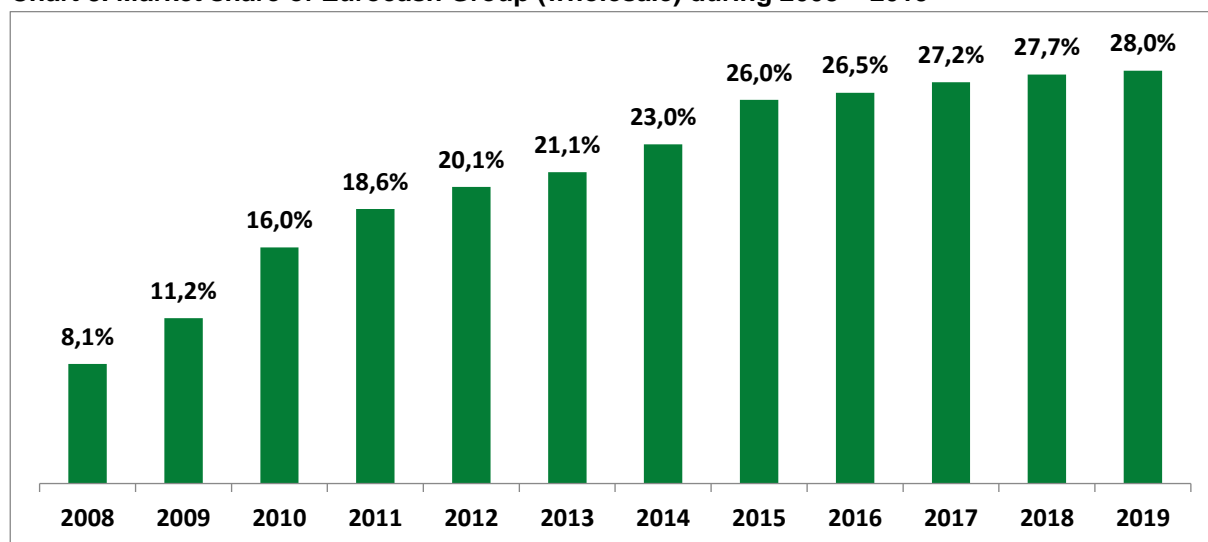
Source: Own estimates based on Nielsen Retail Trade Panel, Value sales, period: January 2018 – December 2020, Food categories

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 62% of major retail channels whereas small format stores - approximately 38%¹. 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 46.3 thousands (+7.2% YoY) in 2020.

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.

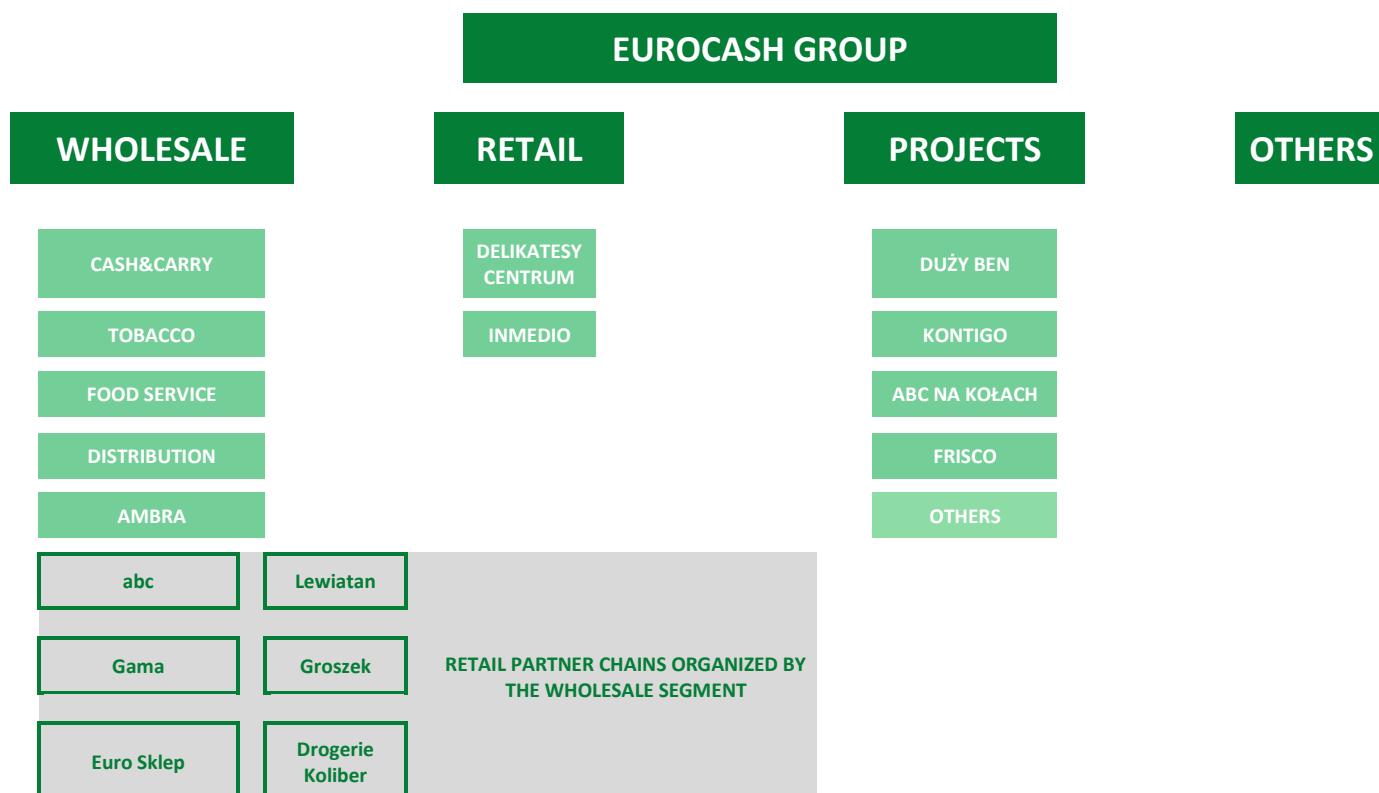
¹ Nielsen Retail Trade Panel, Value sales, period: January 2019 – December 2020, Food categories

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.

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.

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

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

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

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 31st December 2020, the Eurocash Group's wholesale trade network comprised 180 Cash&Carry warehouses, under which a network of "abc" partner stores was organized, which included 9 317 local grocery stores. In franchise and partner networks cooperating with Eurocash Dystrybucja, there were 5 251 stores associated.

The retail network included 1 573 small supermarkets, including 1 545 operating under the Delikatesy Centrum brand and 432 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 3: Number of Cash & Carry Warehouses, small supermarkets including Delikatesy Centrum stores, 'abc' network, Inmedio newsagents and franchise stores

	As at 31 st December 2020	As at 31 st December 2019
Cash & Carry Warehouses	180	180
'abc' store network	9 317	8 985
Franchise and partner stores of Eurocash Distribution*	5 251	5 133
Inmedio and Inmedio Trendy newsagents	432	450
Small Supermarkets	1 573	1 565
<i>Incl. Delikatesy Centrum</i>	<i>1 545</i>	<i>1 351</i>

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

Source: Own study

2.1. Sales Structure

Basic groceries (food and drinks – both alcoholic and non-alcoholic) represent key sales items for the Eurocash Group. In 2020, the share of these products accounted for approximately 65.1% 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 31.9% in 2020. The share of other non-food products (including cosmetics, household chemicals, OTC drugs and others) accounted for 3.0% in 2020.

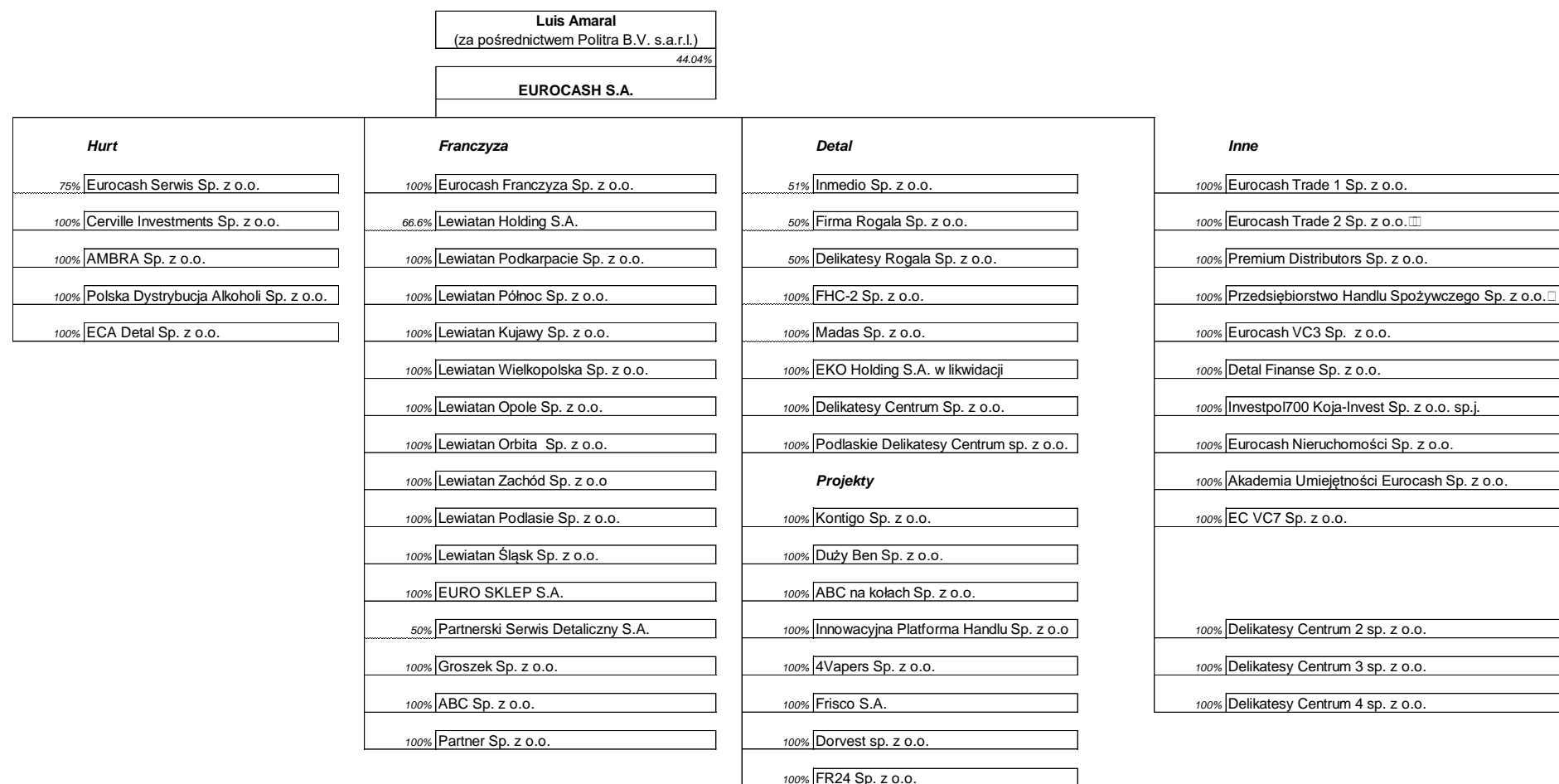
2.2. Structure of the Eurocash Capital Group

Luis Amaral is the main shareholder of Eurocash (directly and indirectly) with the shareholding of 44.04% as at 31.12.2020. 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.

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2020	
REPORT OF THE MANAGEMENT BOARD	Strona 13

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 31st December 2020 is presented on the next page.

Chart 10. The structure of the Eurocash Group and its affiliated companies as at December 31st 2020:

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 of 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 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 2020 number of customers of eurocash.pl platform amounted to 15 thousands and they share in sales reached 87% 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: Frisco, Duży Ben, abc on wheels, Kontigo and others. After successful development of projects: Faktoria Win, PayUp and distribution of high quality fresh products in previous years, Company decided to expand concepts: Duży Ben and Kontigo, as a franchise chain. Eurocash Group also intends to develop in the e-commerce segment through its company Frisco.

3.2. Factors impacting Development of Eurocash

External Factors

COVID-19

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

In connection with the occurrence of the COVID 19 pandemic in Poland in 2020, Eurocash Group incurred costs related to the adjustment of its operations to the pandemic situation. At the same time, Eurocash Group benefited from subsidies resulting from anti-crisis shields introduced by the Government. The total impact on result in 2020 is estimated by the Group at PLN -15M

Growth of the FMCG market and possible changes in the market structure

The Company expects a further increase in the market share of large-format distribution channels, however, the adverse impact of this process on the Company's revenues will be offset by an increase in the value of the FMCG market and consolidation in the wholesale and retail markets.

Fuel prices

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

Inflation

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

Labour costs

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

Internal Factors

Integration of acquired companies

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

Development of Eurocash Retail segment²

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

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

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

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

² 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 2020	
REPORT OF THE MANAGEMENT BOARD	Strona 18

Investment in strategical growth projects

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

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

3.3. Risks and Threats

Financial risks are discussed in Note 41 to the separated financial statements for 2020, 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.

The structure of the FMCG retail distribution market in Poland

In 2020, the traditional distribution channel was a significant form of FMCG retail distribution, representing the share of 37,6%³. 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 the expansion of discounters, responsible for 38,6%⁴ of sales in Poland in 2020, will reduce the potential market for the Eurocash Group's business.

The structure of the traditional FMCG distribution channel. Competition

According to the estimates compiled by the Eurocash Company, approx. 3000-4000 entities operate in the wholesale FMCG distribution market. Market consolidation and an entry of new strong players could have a negative impact on margin levels.

COVID-19

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

³ Nielsen Retail Trade Panel, Value sales, period: January 2018 - December 2020, Food categories

⁴ Ibidem

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 31st December 2020 comprised 1 446 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 4: Risk management system

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

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

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

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

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2020	
REPORT OF THE MANAGEMENT BOARD	Strona 25

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 Group prepares consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union.

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 2.2 of additional information to the consolidated financial statement of Eurocash Group for the 2020 and was applied to all periods presented in the financial statement.

4.2. Profit and Loss Account

Profitability Analysis

Table 5: Eurocash S.A.: Summary of 2020 Financial Performance

PLN m	2020	2019	Change
Sales revenues (traded goods, materials)	16 109,13	15 199,59	5,98%
Gross profit (loss) on sales	1 888,64	1 801,77	4,82%
Gross profitability on sales (%)	11,72%	11,85%	-0,13 p.p.
EBITDA	535,90	501,01	6,97%
(EBITDA margin %)	3,33%	3,30%	0,03 p.p.
EBIT	253,06	216,63	16,81%
(EBIT margin %)	1,57%	1,43%	0,15 p.p.
Gross profit	161,73	207,88	-22,20%
Net Income	128,94	174,61	-26,16%
(Net profitability %)	0,80%	1,15%	-0,35 p.p.

Sales of Eurocash S.A. in 2020 r. reached PLN 16 109,13 m., gross margin on sales realized by Eurocash S.A. in 2020 r. decreased by 0,13 p.p YoY and amounted to 11,72%. In 2020 EBITDA amounted to PLN 535,90 m. and increased by 6,97%. The growth of EBITDA was attributable to better performance of Wholesale segment.

The net profit in 2020 amounted to PLN 128,94 m and decreased by 26,16%.

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 are presented in the tables below:

Table 6: Eurocash S.A.: Mix of Assets

	31.12.2020	%	31.12.2019	%
Fixed assets (long-term)	4 574,82	70,50%	4 549,57	68,93%
Goodwill	1 204,09	26,32%	1 159,15	25,48%
Other intangible fixed assets	596,01	13,03%	605,00	13,30%
Tangible fixed assets	433,77	9,48%	448,96	9,87%
Perpetual use	876,31	19,16%	931,61	20,48%
Investment in properties	0,93	0,02%	0,94	0,02%
Investments in subsidiary companies	1 445,26	31,59%	1 346,27	29,59%
Investments in associated companies - equity method	4,59	0,10%	42,79	0,94%
Other long-term financial assets	0,06	0,00%	6,67	0,15%
Long-term receivables	4,56	0,10%	6,94	0,15%
Long-term prepayments	9,27	0,20%	1,24	0,03%
Current assets (short-term)	1 913,93	29,50%	2 050,89	31,07%
Inventories	770,76	40,27%	806,02	39,30%
Trade receivables	1 063,88	55,59%	1 122,07	54,71%
Current income tax receivables	17,62	0,92%	-	0,00%
Other short-term receivables	18,21	0,95%	31,85	1,55%
Short-term financial assets held for trade	-	0,00%	-	0,00%
Other short-term financial assets	0,31	0,02%	33,73	1,64%
Short-term prepayments	20,61	1,08%	30,98	1,51%
Cash and cash equivalents	22,54	1,18%	26,23	1,28%
Fixed assets classified as held for sale	-	0,00%	-	0,00%
Razem aktywa	6 488,75	100,00%	6 600,47	100,00%

Table 7: Eurocash S.A.: Mix of Liabilities

PLN m	31.12.2020	%	43 830,00	%
Equity	1 218,95	18,79%	1 084,10	16,42%
Share capital	139,16	11,42%	139,16	12,84%
Treasury shares	-	0,00%	-	0,00%
Supplementary capital	878,71	72,09%	696,54	64,25%
Hedging reserve	-	0,00%	-	0,00%
Capital connection	-	0,00%	-	0,00%
Hedge transactions valuation capital	(21,73)	-1,78%	(5,33)	-0,49%
Option for purchase/selling the shares	-	0,00%	-	0,00%
Retained earnings	222,80	18,28%	253,72	23,40%
Long-term liabilities	1 370,14	26,00%	828,31	15,02%
Long-term loans and credits	464,69	33,92%	-	0,00%
Other long-term financial liabilities	130,68	9,54%	0,04	0,00%
Long-term lease liabilities	760,13	55,48%	799,21	96,49%
Other long-term liabilities	0,43	0,33%	1,32	0,16%
Deferred income tax provision	9,42	0,69%	24,00	2,90%
Provision for employee benefits	4,80	0,35%	3,74	0,45%
Other long-term provisions	-	0,00%	-	0,00%
Short-term liabilities	3 899,66	74,00%	4 688,06	84,98%
Short-term loans and credits	742,20	19,03%	1 387,44	29,60%
Other short-term financial liabilities	31,84	0,82%	21,11	0,45%
Short-term lease liabilities	171,27	4,39%	148,26	3,16%
Trade liabilities	2 622,50	67,25%	2 870,98	61,24%
Current income tax liabilities	-	0,00%	10,97	0,23%
Other short-term liabilities	65,34	1,68%	48,89	1,04%
Provision for employee benefits	92,47	2,37%	85,03	1,81%
Other short-term provisions	174,05	4,46%	115,38	2,46%
Liabilities	5 269,80	81%	5 516,37	83,58%
Total liabilities	6 488,75	100,00%	6 600,47	100,00%

Loan Agreements, Warranties and Collaterals

Loan agreements

Information on credit agreements concluded by Eurocash S.A. is presented in Note 25 to the consolidated financial statements for 2020.

Loans granted

In 2020, Eurocash S.A. did not grant any loans in the total value is significant of the issuer's equity.

Sureties and guarantees

Sureties and guaranties issued by Eurocash S.A. are presented in Note 39 to the consolidated financial statements for 2020.

Issue of Securities and Bonds in 2020

Issue of shares

In the period between 1st January 2020 and 31st December 2020 no shares were issued

Issue of securities and bonds

On December 23rd 2020, 125,000 Series B unsecured bearer bonds with a par value of PLN 1,000 each and a total par value of PLN 125,000,000 were issued.

The bonds were issued to refinance short-term loans and to finance the working capital of Eurocash S.A.

4.4. Key Off-balance Sheet Items

Information on key off-balance sheet items for the Eurocash S.A. is provided in supplementary information to the annual separated financial statements, i.e. Note 39 and 40.

4.5. Eurocash Cash Flow Analysis

Cash flow Statement

Table 8: Eurocash S.A.: Cash flows for 2020

PLN m	2020	2019
Operating cash flow	391,70	454,58
<i>Gross profit (loss)</i>	161,73	207,88
<i>Depreciation</i>	282,84	284,37
<i>Change in working capital</i>	(136,48)	11,87
<i>Other</i>	83,60	(49,55)
Cash flow from investments	(173,08)	(544,78)
Cash flow from financing activities	(228,99)	23,08
Total cash flow	(10,37)	(67,12)

Total cash flow in 2020 amounted to PLN -10,37 m., while the operating cash flow reached PLN 391,70 m. Cash flow from investments amounted to PLN -173,08 m., and cash flow from financing activities amounted in 2020 to PLN -228,99 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 9: Eurocash: Working Capital Ratios for 2020

Turnover in days	2020	2019
1. Inventories turnover	17,51	19,36
2. Trade receivables turnover	24,17	26,95
3. Trade liabilities turnover	(67,50)	(78,21)
4. Operating cycle	41,68	46,30
5. Cash conversion	(25,81)	(31,91)

Cash conversion cycle in 2020 amounted to -25,81 days compared to -31,91 days in 2019. Changes of rotation of each part of working capital was mainly attributable to different sales mix together with fast growing Tobacco and impulse products distribution format and the introduction of control mechanisms to adjust the rotation of liabilities to the requirements of the Act on amending certain laws to reduce payment congestion.

Evaluation of Funds Management

Eurocash S.A. generates positive cash flows from operations. All key investments carried out in 2020 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 41 in the part of the report which contains separated financial statements.

4.6. Investment Activity

In 2020, the total investment outlays amounted to PLN 254.47 m, which means a decrease by 7,2% compared to 2019.

Table 10: Eurocash S.A.: Investment of Eurocash w 2020 r.

<i>PLN m</i>	2020	2019
Total investment outlays	254,47	274,20

Assessment of Capacity to Carry out Anticipated Investments

Key investments planned for 2021 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 Frisco, Duży Ben, Kontigo, abc on wheels
- Replacement investment,
- Updated strategy until 2023 which assumes bigger investments in Retail.

In order to finance the aforementioned investments, Eurocash S.A. 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.

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2020	
REPORT OF THE MANAGEMENT BOARD	Strona 32

4.7. Key Contributors to 2020 Financial Performance of Eurocash S.A.

Equity Changes

In the period between 1st January 2020 and 31st December 2020, no shares were issued

Dividend Payment

In accordance with the decision of the Ordinary General Meeting of Eurocash S.A. of 25 August 2020, the net profit for 2019 in the amount of PLN 174,612,455 was distributed so that the entire net profit was transferred to the Company's reserve capital.

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

5. ADDITIONAL INFORMATION

5.1. Information on Court Proceedings

On October 2nd 2020, the Company received the Decision of the Chairman of UOKiK (the Office of Competition and Consumer Protection) dated September 28th 2020 on institution of proceedings against Eurocash S.A. for practices unfairly exploiting contractual advantage. When initiating the proceedings, the Chairman of UOKiK found it necessary to verify whether certain practices applied by Eurocash S.A. could be classified as abuse of contractual advantage. In the decision to initiate proceedings, the Chairman of UOKiK indicated two questionable forms of settlements between Eurocash S.A. and its suppliers, i.e. the charging of remuneration for (i) general network/sales support services, and (ii) market expansion services. As part of the ongoing proceedings, in response to the summons from the Chairman of the UOKiK, the Company informed that since 2017 it has not charged any remuneration for market expansion services, whereas in the period 01.01.2019. - 31.10.2020, it charged suppliers a total of approximately PLN 19 million for the provision of network-wide / sales support services. As part of the ongoing proceedings, we are responding to all questions from the Chairman of UOKiK and clarifying any doubts on an ongoing basis. The proceedings are at a very early stage; therefore, the Management Board of the Company is currently unable to assess the impact (including the financial impact) of the proceedings initiated by the Chairman of UOKiK. Please note that the obligation to pay potential fines imposed by the Chairman of UOKiK arises only after the decision becomes final, i.e. after the verdict of the Court of Second Instance (Court of Appeal) is issued. Under the current conditions, the duration of proceedings from the moment of issuance of the decision to the moment of issuance of the final judgment by the Court of Appeal is approximately 4-5 years.

5.2. Information on Significant Agreements

In 2020 and after the balance sheet date Eurocash Group companies did not enter into any agreement that could be considered significant.

Agreement with suppliers exceeding 10% of total sales revenues

In 2020, the only supplier with a share in total sales revenues of Eurocash Group exceeding 10% was Philip Morris Polska Distribution Sp. z o.o., whose share amounted to 13.6%.

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

In 2020, Eurocash did not enter into any loan or credit guarantee transactions and did not issue any guarantees of significant value.

5.4. Information on Transactions with Connected Entities

In 2020 Eurocash 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 2020 or 2021.

5.6. Changes in Key Management Principles

Appointment of Members of the Supervisory Board

On September 8, 2020. The Management Board of Eurocash S.A. ("Company") informs that by a statement dated September 8, 2020 Mr. Ewald Raben submitted his resignation from the post of the Member of the Supervisory Board of the Company with six weeks' notice, i.e. with effect on October 20, 2020. Mr. Ewald Raben did not provide reasons for his resignation.

On October 20, 2020 the Management Board of Eurocash S.A. ("Company") announces that due to the resignation from the post of member of the Supervisory Board by Mr. Ewald Raben, the Extraordinary General Meeting of the Company, exercising the right granted to it in § 13 point 3 of the Statutes of the Company, on October 20, 2020 elected Mr. Przemysław Budkowski to the Supervisory Board of the Company.

Appointment of Member of the Management Board

On 18th December 2019 Supervisory Board of Eurocash has adopted a resolution on appointment, with the effect as of 1st 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 2020 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 consolidated financial statements of Eurocash Group for 2020 were audited by Ernst & Young Audyt Polska sp. z o.o. sp. k. on the basis of a contract concluded on 9th May 2019 for three years.

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 11: Eurocash S.A.: Capital expenditures for audit and review of financial statements

thousands of PLN	2020	2019
Audit of financial statements	480.0	480.0
Review of financial statements	270.0	270.0
Other services	0.0	0.0
Total capital expenditures	750.0	750.0

Since 2017, Eurocash Group has not used any other services of Ernst & Young Audyt Polska sp. z o.o. sp. k.

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 13th 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 31st, 2020, 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 31st December 2020 the structure of shareholders holding directly or indirectly large blocks of shares in Eurocash S.A. was as below.

Table 12: Shareholders with Direct or Indirect Substantial Shareholding in Eurocash

	31.12.2020				31.12.2019			
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.	n/a	n/a	n/a	n/a	11 593 954	8,33%	11 593 954	8,33%
Others	77 875 508	55,96%	77 875 508	55,96%	66 281 554	47,63%	66 281 554	47,63%
Total	139 163 286	100.00%	139 163 286	100.00%	139 163 286	100.00%	139 163 286	100.00%

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

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

The number of company shares held by the management and supervisory members as at 31.12.2020 was as follows:

Table 13: Shares in the company held by members of the management board and their rights to subscription

	Eurocash shareholding		Share subscription rights	
	31.12.2020	31.12.2019	31.12.2020	31.12.2018
Management board				
Luis Amaral (directly and indirectly)	61 287 778	61 287 778	0	0
Rui Amaral	347 025	347 025	0	0
Katarzyna Kopaczewska	330 000	330 000	0	0
Arnaldo Guerreiro	325 500	325 500	0	0
Pedro Martinho	1 055 803	875 803	0	0
Jacek Owczarek*	73 694	70 750	0	0
Przemysław Ciaś	9 850	1 000	0	0
Noel Collett**	0	-	0	-

*indirectly through persons closely related

** role effective January 1, 2020

Table 14: Shares in the company held by supervisory board and rights to subscription

	Eurocash shareholding		Share subscription rights	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Supervisory board				
Hans-Joachim Körber	0	0	0	0
Jorge Mora	121 500	121 500	0	0
Renato Arie	0	0	0	0
Francisco José Valente Hipólito dos Santos	0	0	0	0
Ewald Raben*	n/a	0	n/a	0
Przemysław Budkowski**	0	n/a	0	n/a

* role effective till October 20, 2020

** role effective October 20, 2020

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 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 and Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

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 eight members in 2020. The composition of the Management Board at the day of December 31st 2020 is presented below.

Table 15: The composition of the Management Board at the end of 2020

Name	Position
Luis Manuel Conceicao Pais 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 Ciał	Member of the Management Board
Noel Collett	Member of the Management Board

Powers of the Management Board

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

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

- (i) determine the long- and medium-term development strategy as well as main objectives of the Company operations, increase the Company value to the shareholders and report them to the Supervisory Board, review the level of achievement of such goals and modify them if necessary,
- (ii) define the Company's financial goals,
- (iii) implement and follow through the long- and medium-term development strategy as well as the main Company's operating objectives and financial goals,
- (iv) analyze major investment projects and related methods of funding,
- (v) determine the principles of HR and remuneration policies, including:

- appointment of the Company's key management staff,
 - determining principles of employment, remuneration, and HR policies, as well as conducting a periodical analysis of the HR situation in the Company,
- (vi) establish the Company's organizational structure,
- (vii) approve the annual and/or long-term Company's budget,
- (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 2020 is provided in the section of the annual report which contains the annual consolidated financial statements, in Note 37.

Supervisory Board

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

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

The composition of the Supervisory Board in the period January 1st – December 31st 2020 was as presented in the table below.

Table 16: The composition of the Supervisory Board in 2020

Name	Position	Period
Hans Joachim Körber	Chairman of the Supervisory Board	01.01.2020 – 31.12.2020
Francisco José Valente Hipólito dos Santos	Member of the Supervisory Board	01.01.2020 – 31.12.2020
Renato Arie	Member of the Supervisory Board	01.01.2020 – 31..12.2020
Jorge Mora	Member of the Supervisory Board	01.01.2020 – 31.12.2020
Ewald Raben	Member of the Supervisory Board	01.01.2020 – 20.10.2020
Przemysław Budkowski	Member of the Supervisory Board	20.10.2020 – 31.12.2020

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

- (i) Hans Joachim Körber and Ewald Raben and Przemysław Budkowski as Supervisory Board members, appointed by the Company's General Shareholders' Meeting, and
- (ii) 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.

Powers of the Supervisory Board

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

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

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

- (i) decisions concerning joint-ventures with other entities;
- (ii) decisions concerning mergers with other entities as well as acquisitions of other entities or enterprises;
- (iii) incurring any liability in excess of PLN 100,000,000 and the encumbrance on the Company's assets with a value in excess of PLN 150,000,000 if such transactions have not been provided for in the annual budget;
- (iv) sale or lease or transfer of the Company's assets with the value in excess of EUR 1,000,000 or its zloty equivalent if such a transaction has not been provided for in the annual budget;
- (v) issuing opinions concerning the determination and changes in remuneration levels or terms of employment of Management Board Members;
- (vi) raising, issue, taking up or disposal of shares in another subsidiary entity;
- (vii) development and modification of any stock option scheme or an incentive scheme of a similar nature for the Company's management and employees;
- (viii) the conclusion of a material agreement by the Company with a related entity as interpreted by the regulations concerning the submission of current and periodical information by issuers whose shares are quoted on the Stock Exchange in Warsaw S.A. except for standard

transactions concluded on market terms as part of company operations entered into by the Company with its subsidiary entity in which the Company is a majority shareholder.

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

Supervisory Board members perform their duties personally. However, they may participate in an adoption of resolutions of the Supervisory Board by voting in writing through another Supervisory Board member. The Supervisory Board may adopt resolutions at a session or in writing or by using remote communication tools.

Resolutions of the Supervisory Board are adopted by a simple majority of votes in the presence of at least 3 members of the Board. Should an even number of votes be cast in 'favor of' and 'against' a resolution, the President of the Supervisory Board shall have the casting vote.

Moreover, the consent of the majority of independent Supervisory Board members is required for the adoption by the Supervisory Board of resolutions in the following matters:

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

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

<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 2020 is provided in the section of the annual report which contains the annual consolidated financial statements, in Note 37.

Supervisory Board Committees

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

- (i) the Audit Committee,
- (ii) the Remunerations Committee,
- (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 comprised in the period 01.01.2020 - 31.12.2020: Mr Jorge Mora (Chairman of the Audit Committee), Mr Francisco José Valente Hipólito dos Santos (Member of the Audit Committee), in the period 01.01.2020 - 20.10.2020 Mr Ewald Raben (Member of the Audit Committee), in the period 20.10.2020 - 31.12.2020 Mr Przemysław Budkowski (Member of the Audit Committee).

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 members of the Remuneration Committee during the period 01.01.2020 - 31.12.2020 were: Mr. Renato Arie (Chairman of the Remuneration Committee), Mr. Francisco José Valente Hipólito dos Santos (Member of the Remuneration Committee), from 01.01.2020 to 20.10.2020 Mr. Ewald Raben (Member of the Remuneration Committee), from 20.10.2020 to 31.12.2020 Mr. Przemysław Budkowski (Member of the Remuneration Committee).

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 members of the Nominations Committee for the period 01.01.2020 - 31.12.2020 were: Mr. Hans Joachim Körber (Chairman of the Nomination Committee), Mr. Renato Arie (Member of the Nomination Committee) and Mr. Jorge Mora (Member of the Nomination Committee).

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.

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.

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2020	
REPORT OF THE MANAGEMENT BOARD	Strona 48

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 6.4 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 6.4 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 assumed 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.

In a resolution dated 20 October 2020. The Extraordinary Shareholders' Meeting of Eurocash S.A. repealed the resolutions of the Ordinary Shareholders' Meeting of the Company dated 25 April 2017 on the issue of shares under the Employee Incentive and Bonus Schemes for 2017 - 2019 (Schemes XI - XVI). As indicated in the text of the resolution, the purpose of adopting the Incentive and Bonus Programs for Employees was to create additional incentive mechanisms for the management and key employees of the Eurocash S.A. Group companies to achieve medium-term strategic goals and create

shareholder value. One of the economic consequences of the Covid-19 pandemic is the drop in share prices on the stock exchanges, including the price of the Company's shares on the Warsaw Stock Exchange, which on the date of the General Shareholders' Meeting amounted to approximately PLN 15.00 and was far below the price at which the shares could be acquired by the Persons Participating in the Schemes (PLN 32.51). Consequently, the Programmes lost their bonus and motivational character, and further management and service of the Programmes generated additional costs on the side of the Company.

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 Group's internal control system and its effectiveness in the process of drafting financial statements and periodical reports drawn up and published in accordance with the stipulations set forth in the Decree dated March 29th, 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 Group's operations and to establish adequate risk controls and risk limits as well as to monitor deviations noted from the limits. The risk management policy and system are reviewed on a regular basis so that they reflect ongoing changes in market conditions and the Group's operations. The Group strives to achieve a disciplined and constructive control of the environment where every employee would understand their roles and duties through skills (qualifications) enhancement and an application of standards and procedures by the Group.

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

One of the basic elements of control in the process of drafting consolidated financial statements is the review of consolidated financial statements by an independent auditor. The auditor's primary task is to review the semi-annual financial statements and carry out a preliminary and basic examination of the

consolidated annual statements. The independent auditor is elected by the Company's Supervisory Board. The audited financial statements are forwarded to the members of the Supervisory Board of the Controlling Entity for the review of the Group's financial statements.

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

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

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

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 31st, 2020 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 1st January 2020 to 31st December 2020 Mr. Jorge Mora (Chairman of the Audit Committee), from 1st January 2020 to 20th October 2020 Mr. Ewald Raben and Mr. Przemysław Budkowski from 20th October 2020 to 31st December 2020.

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.
 - 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. Przemysław Budkowski – he graduated from the Management and Marketing Department of Poznan University of Economics in 2005. From 2005 to 2009 he held the position of Product Marketing Manager for Central and Eastern Europe at Google. After that till 2018 he held the position of Marketing Director and then President of the Board. Mr. Budkowski is an expert in marketing and e-commerce.
 - 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 9th, 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.

5. The Audit Committee in 2020 held three meetings: on March 12th and December 17th, one teleconference on August 27th

7. STATEMENT ON NON-FINANCIAL INFORMATION

7.1. Business model

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 26 years. 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 26 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 understands its responsibility towards society. Today, our Group cooperates with over 92 thousand customers and is the employer for over 21 thousand people.

We operate our business in a socially responsible way - as noted by 82% of our clients (according to the NPS survey). As one of the largest business enterprises on the Polish market, we have a huge economic and social impact (both direct, indirect and induced) - we have included information on this in our 2019 Social Responsibility Report.

<https://grupaeurocash.pl/en/raport-csr/wplyw-grupy-eurocash-na-spoleczenstwo-i-gospodarke>

In the area of non-financial activities, we follow a transparent communication policy, publishing Eurocash Group social responsibility reports starting from 2021. The Eurocash Group CSR Report 2020 - extended with the Eurocash Group Customers Impact Report - shall be published by 31 March 2021 on the Eurocash Group website (<https://grupaeurocash.pl/o-eurocash/odpowiedzialny-biznes>). The Report will be prepared in accordance with the principles of the international GRI Standard.

"Our goal and social mission is to ensure the continuity of the food supply chain to people all over Poland" - it should be noted that in 2020, due to the coronavirus epidemic, our social responsibility became even more prominent and Eurocash Group managed the situation in which we found ourselves as a society and Polish business in a comprehensive and responsible way. Our actions were focused on four areas - responsible management, ensuring safety and good working conditions for our

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2020	
REPORT OF THE MANAGEMENT BOARD	Strona 54

employees, comprehensive support for Entrepreneurs - Customers of our Group, and final safeguarding of consumers' needs through actions ensuring sustainability of the entire supply chain.

7.2. Description of the Eurocash Group Corporate Social Responsibility Management











Social responsibility is part of our company's DNA since very beginning.

In 2019, we established the Eurocash Group Sustainability Strategy 2020+, which we have been implementing in 2020.

The strategy is based on four pillars, each dedicated to specific stakeholders - important for our company - and important social and environmental topics. Key performance indicators have been defined, and their level of achievement will be described in the Eurocash Group Social Responsibility Report for 2020. Also, functions dedicated to the implementation of the Sustainable Development Strategy 2020+ have been established in the Group. Supervision over this area is exercised by a Member of the Management Board who is responsible for this area.

Eurocash Group Sustainable Development Strategy 2020+

Table 17. Eurocash Group Sustainable Development Strategy 2020+

Filar	Kluczowe tematy	Ambicje	Cele Zrównoważonego Rozwoju
Entrepreneurship Development 	<ul style="list-style-type: none"> Providing Entrepreneurs with purchasing power, retail concepts and development tools Supporting succession and young Entrepreneurs, expanding the number of people employed in retail Increasing the role of Entrepreneurs in the society by promoting their activities for the society Creating conditions for the development of innovative solutions for small and medium-sized Entrepreneurs. 	Building responsible entrepreneurship that ensures the sustainable development of society and the economy of the whole country.	 
Quality without compromise for everyone 	<ul style="list-style-type: none"> Providing products of the highest quality Ensuring product safety Always provides consumers with quality products that are always safe and affordable Building a responsible supply chain Ensuring supply chain continuity 	Providing safe, high quality food to every customer (who owns the store) to the widest possible group of consumers nationwide	
We do not waste 	<ul style="list-style-type: none"> Reducing CO2 emissions by reducing fuel and energy consumption Reducing food waste 	Reducing food waste and CO2 emissions.	 
Safety and employee engagement 	<ul style="list-style-type: none"> Ensuring safety in the workplace Enhancing employee engagement and development 	Creating the best working conditions for everyone	

The area of non-financial performance is measured using a variety of indicators - we use both our own indicators, GRI Standard indicators, and based on available econometric and proprietary models we determine the scale and dimension of our performance and activities in this area.

7.3. Description of policies applied by Eurocash Group in key non-financial areas

Key among the non-financial aspects of our activities are: social issues, labor issues, environmental issues, respect for human rights and anti-corruption.

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 18. Risk management system

Risk area	Risk examples	Elements of the risk management system - methods of monitoring and controlling
Ethics and counteracting corruption	<ul style="list-style-type: none"> • Risk of public corruption • Risk of corruption in relations with contractors • Risk of fraud against employees • Risk of internal frauds • Risk of conflict of interest 	<ul style="list-style-type: none"> • Eurocash Group's Code of Ethics • Eurocash Group values - clearly defined and communicated to employees • Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics • Introducing a procedure for dealing with reports, a reporting path, protecting whistleblowers from reprisals, discrimination or other unfair treatment, protecting personal data and maintaining confidentiality - compliant with the European Parliament and Council Directive (EU) 2019/1937 on whistleblowers and the Recommended Standards for anti-corruption compliance management systems and the whistleblower protection system in companies listed on the markets organized by the Warsaw Stock Exchange SA • Anti-mobbing policy • Training for employees on Eurocash Group values and ethics rules • Instructions for accepting gifts from contractors (giving gifts for charity) • Implementation of procedures and process for managing conflicts of interest, including a survey-declaration of actual or potential conflicts of interest.

Legal	<ul style="list-style-type: none"> • Risk of consumer law violation • Risk of competition law violation • Risk of forbidden agreements regulations violation • Risk of violating regulations on payment congestion • Risk of violating antitrust law • Risk of violation of personal data protection regulations • Risk of violating the provisions of the Commercial Companies Code • Risk of violating business secrecy and confidential data • Risk of regulated advertising and intellectual property regulations violation 	<ul style="list-style-type: none"> • Policies and procedures to monitor compliance with consumer rights legislation • Training and awareness-raising of employees • Monitoring the profile and level of risks identified in the Group • Implementing an effective compliance system to monitor key risks on an ongoing basis, monitoring changes in the law, amending internal regulations in line with evolving legislation • Implementation of a system of periodical KRI (key risk indicators) on selected risk areas in order to identify and monitor breaches of implemented rules and processes • Implementing a unified system of creating and publishing marketing content
Taxes	<ul style="list-style-type: none"> • Risk of improper calculation and/or recognition of PIT / CIT / VAT • Risk of improper verification of contractors • Risk of non-effective implementation of procedures regarding tax reporting obligations 	<ul style="list-style-type: none"> • Implementation of procedures to ensure proper calculation of tax liabilities • Designing tools to support the calculation of tax liabilities • Implementation of procedures concerning fulfillment of due diligence requirements towards contractors • Training on tax risks and the contractor verification process

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

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

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

EUROCASH S.A. – SEPARATE ANNUAL REPORT FOR 2020	
REPORT OF THE MANAGEMENT BOARD	Strona 61

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 9th 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 2020.

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

SIGNATURES OF MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President	Luis Amaral	10 th March 2021	
Management Board Member	Rui Amaral	10 th March 2021	
Management Board Member	Arnaldo Guerreiro	10 th March 2021	
Management Board Member	Pedro Martinho	10 th March 2021	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	10 th March 2021	
Management Board Member Financial Director	Jacek Owczarek	10 th March 2021	
Management Board Member	Przemysław Ciał	10 th March 2021	
Management Board Member	Noel Collett	10 th March 2021	

SELECTED SEPARATE FINANCIAL DATA

	for the period from 01.01.2020 to 31.12.2020 PLN	for the period from 01.01.2019 to 31.12.2019 PLN	for the period from 01.01.2020 to 31.12.2020 EUR	for the period from 01.01.2019 to 31.12.2019 EUR
Net sales	16 109 125 701	15 199 586 747	3 624 263 342	3 536 432 468
Operating profit (loss)	253 057 835	216 632 505	56 933 458	50 403 096
Profit (loss) before tax	161 733 187	207 878 034	36 387 056	48 366 225
Net Profit (loss) on continued operations	128 935 033	174 612 455	29 008 062	40 626 444
Net profit (loss)	128 935 033	174 612 455	29 008 062	40 626 444
Net operating cash flow	391 700 611	454 576 572	88 125 588	105 764 675
Net investment cash flow	(173 076 499)	(544 775 321)	(38 939 097)	(126 750 889)
Net financial cash flow	(228 990 897)	23 081 350	(51 518 830)	5 370 254
Net change in cash and cash equivalents	(10 366 785)	(67 117 399)	(2 332 340)	(15 615 961)
Weighted average number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Weighted average diluted number of shares	139 163 286	139 163 286	139 163 286	139 163 286
EPS (in PLN / EUR)	0,93	1,25	0,21	0,29
Diluted EPS (in PLN / EUR)	0,93	1,25	0,21	0,29
Average PLN / EUR rate*			4,4448	4,2980
	as at 31.12.2020 PLN	as at 31.12.2019 PLN	as at 31.12.2020 EUR	as at 31.12.2019 EUR
Assets	6 488 750 929	6 600 468 248	1 406 074 137	1 549 951 450
Long-term liabilities	1 370 141 883	828 307 997	296 901 682	194 506 985
Short-term liabilities	3 899 662 107	4 688 063 068	845 033 827	1 100 871 919
Equity	1 218 946 940	1 084 097 183	264 138 628	254 572 545
Share capital	139 163 286	139 163 286	30 155 865	32 678 945
Number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Diluted number of shares	139 163 286	142 069 536	139 163 286	142 069 536
Book value per share (in PLN / EUR)	8,76	7,79	1,90	1,83
Diluted book value per share (in PLN / EUR)	8,76	7,63	1,90	1,79
Dividend paid (in PLN / EUR) ***	-	139 163 286	-	32 678 945
Dividend paid per share (in PLN / EUR)	-	1,00	-	0,23
PLN / EUR rate at the end of the period**			4,6148	4,2585

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

** Balance sheet items and book value per share have been converted using the official mid-rates announced by the National Bank of Poland prevailing on the balance sheet date.

INDEPENDENT AUDITOR'S REPORT ON 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 Wiśniowa 11, containing: the general information, the separate income statement and the separate statement of comprehensive income for the period from 1 January 2020 to 31 December 2020, the separate statement of financial position as at 31 December 2020, the separate statement of cash flows and the separate statement of changes in equity for the period from 1 January 2020 to 31 December 2020 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 2020 and its financial performance and its cash flows for the period from 1 January 2020 to 31 December 2020 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 10 March 2021.

Basis for opinion

We conducted our audit in accordance with the National Standards on Auditing in the version of International Auditing Standards as adopted 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 International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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 IESBA Code. 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.

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
Revenue recognition	
<p>Eurocash S.A. presents in the financial statements revenues from sale in total amounting PLN 16 109 million.</p> <p>The Company sells goods to multiple clients using several sales channels</p>	<p>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>

<p>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 2.2.27 of the accounting principles "Sales revenues" and note 30 "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 and analytical procedures, related to selected revenues accounts and accounts receivables, including confirmation of balances.</p> <p>We also considered the adequacy of the Company's disclosures in respect of revenue.</p>
<p>Recognition of bonuses, discounts and related settlements</p>	
<p>Eurocash S.A. presents in the financial statements costs of sales in total amounting PLN 14 220 million.</p> <p>The Company receives various types of vendor bonuses, discounts and price reductions. Those settlements have significant impact on cost of sales. Majority of them are settled during the financial year while as at 31 December 2020, the position not yet settled with vendors amounted to approximately PLN 349 million. Bonuses, discounts and related settlements were significant for our audit as recognition of the cost</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</p>

<p>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 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 2.2.18 of the accounting principles "Trade receivables and other short-term receivables", in point 2.2.24 of the accounting principles "Short-term liabilities", in note 17 "Trade and other receivables" and note 24 "Trade and other payables" to the separate financial statements.</p>	<p>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 review of the subsequent collections of receivables 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>Inventory valuation</p>	
<p>As at 31 December 2020, the value of inventories reported in the statement of financial position was PLN 771 million.</p> <p>This issue was determined to be a key audit matter for the audit of the financial statements of Eurocash S.A. due to the significant value of this item in the statement of financial position, multiplicity of the locations at which inventories are held including cash&carry halls, stores and distribution centers and due to the professional judgment of management involved in valuation of the inventories including purchase price determination including bonuses from vendors allocated to stock and recognition of impairment losses recognised with a view to arriving at</p>	<p>As part of the audit, we documented our understanding of the process of analysis and recognition of inventory at cost and confirmation of their existence, as well as impairment assessment for inventories. We also assessed the internal control environment for those areas and performed tests of controls in relation to the existence and valuation of the inventories at cost, as well as other substantive audit procedures.</p> <p>In particular, we analyzed the Company's accounting policies regarding initial inventory recognition and recognition of impairment losses on inventories including net realizable value assessment and, based on selected samples, we performed the following procedures for the valuation of inventories and their existence:</p>

<p>inventory net realisable value; this relates to making significant estimates in the area of inventory turnover, planned future selling prices of goods for resale, cost of their sale, as well as the physical state including expiry dates. In our judgement we considered potential risk of coronavirus SARS-CoV-2 epidemic and its impact on inventory valuation.</p> <p>Inventory-related disclosures, including those referring to inventory valuation at net realisable value, were presented in the point 2.2.15 „Inventory“ and note 16 “Inventories” to the financial statements.</p>	<ul style="list-style-type: none"> - analysis of recognition of the inventory items at cost including allocation of the bonuses from vendors to the relevant inventory categories; - direct participation in the inventory physical count procedures; - assessment of the appropriateness of the internal control procedures related to the confirmation of the inventories' existence, including mandatory stocktaking procedures performed by the warehouse management departments, as well as additional procedures performed by the Company; - analysis of net realizable values as well as historical data related to realised margins and impairment losses recognized in prior periods; - analysis of utilisation of prior year impairment losses; - analysis of other factors and assumptions relevant for the inventory impairment such rotation ratios and expiry dates. <p>We also considered the adequacy of the Company's disclosures in respect of inventories.</p>
<p>Going concern assumption - liquidity risk analysis</p>	
<p>The attached financial statements were prepared based on the assumption that the Company will continue their operations in the foreseeable future, i.e. for a period at least 12 months from the end of the reporting period.</p> <p>Due to the number of factors of the current market environment affecting Eurocash Group's liquidity during the year ended 31 December 2020 and after balance sheet date following the SARS-CoV-2 coronavirus outbreak, the Parent entity's Management assessed, at the date of the signing the financial</p>	<p>As part of our procedures, we have considered the following:</p> <ul style="list-style-type: none"> - the budget and forecasts of short-term cash flows for 2021, taking into account the assumptions of alternative scenarios (stress tests) in view of the current market situation, as prepared by the Company's Management; - terms and conditions of loan agreements and other available sources of financing for the Group including credit and reverse factoring facilities.

<p>statements, the impact of the situation on the going concern assumption including future cash flows, among others by analysis of possible negative scenarios of impact of market trends on the future cash flows of the Group as a whole.</p> <p>The assessment of the ability of the Parent entity and other companies of the Group to continue their operations made by the Management of the Parent entity, requires significant judgment on the future events or conditions existing for a certain period of time, which is related to inherent uncertainty. Taking into account the above, we consider this issue to be a key audit of matter for the audit of the financial statements.</p> <p>In note no 1.1.7 "Going concern" of general information to the financial statements, the Management Board of the Parent entity disclosed the circumstances and the activities relevant for the preparation of the financial statements of the Company on the going concern basis, as well as in the note 41 "Managing the financial risk" there were disclosures included related to the financial risk including liquidity risk.</p>	<p>In addition, as part of our procedures:</p> <ul style="list-style-type: none"> - we reviewed the business plans of the Management and the minutes of meetings of the Management Board, the Supervisory Board and the General Meetings, and discussed these plans with the Company's Management and evaluated the reliability of the data being basis of the forecasts, as well as determined whether relevant assumptions for those forecasts are justified; - we discussed with the Company's Management the results of the Management's analysis of events after the balance sheet date; - we made the review of the current level of cash, the availability of sources of financing within the Group, as well as the actions taken to maintain the financing of the activities of the Company and other companies from the Group; - we discussed with the Company's Management possible events that could have significantly affect and modify the going concern assumption; - we have assessed the assumptions of alternative scenarios adopted by the Company's Management; - we discussed with the Company's Management the results of the going concern analysis prepared by them, including the assessment of the impact of the SARS-CoV-2 coronavirus outbreak on the planned cash flows, carried out on the basis of an analysis of negative scenarios for the activities of the Company and the Group after balance sheet date; we have received written representations of the Company's Management for plans and assumptions taking into account the risk of further spread of the SARS-CoV-2 coronavirus outbreak that may
---	---

	<p>affect the Company's and Group's activities.</p> <p>We have assessed also the disclosures included in the standalone financial statements..</p>
Impairment of investments, goodwill and other intangible assets	
<p>At 31 December 2020, the carrying value of investments in subsidiaries amounted to PLN 1 445 million and constituted 22% of the Company's total assets as of that date.</p> <p>The carrying value of goodwill and other intangible assets, including trademarks with indefinite useful life amounted to PLN 1 800 million and constituted 28% of the Company's total assets as of that date. Those assets were subject to annual impairment test in accordance with requirements of IAS 36 Impairment of assets.</p> <p>Additionally 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</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"> - analysis of arithmetic accuracy of discounted cash flows models calculations and the reconciliation of the source data to current financial forecasts and budgets; - assessment of key assumptions and estimates of the models for the assessment of value in use, including assumptions related to the future cash flows and residual values after the detailed forecast period; - comparison of the assumptions made by the Management in relation to the future cash flows including in particular sales revenues, to the available market forecasts including impact of SARS-Cov-2 coronavirus outbreak on the sector, and discussion on the variances in those assumptions; - the comparison of applied discount and growth rates to the market benchmarks with support of our internal valuation specialists; - testing the sensitivity of the recoverable amount in the available headroom of the model considering

<p>assumptions related to cash flows forecasts.</p> <p>The Company's disclosures about relevant impairment analysis are included in point 1.1.5 "Judgements and assumptions", point 2.2.5 of the accounting principles "Intangible assets", point 2.2.11 of the accounting principles "Shares in subsidiaries, affiliates and co-controlled entities", in note 6 "Goodwill and intangible assets", note 9 "Impairment of assets" and note 11 "Shares in subsidiaries" to the separate financial statements.</p>	<p>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;</p> <ul style="list-style-type: none"> - the comparison of actual result to forecasts prepared by Company. <p>We have assessed the adequacy of disclosures related to the impairment tests goodwill and other intangible assets, including disclosures on sensitivity analysis.</p>
<p>Uncertain tax positions</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>General Anti-Avoidance Rule (GAAR) is valid in 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</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 and VAT 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>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. 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 2.2.32 of the accounting principles "Uncertainties related to tax settlements" and note 28 "Income tax" to the separate financial statements.</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>
Recognition & valuation of contracts under IFRS 16 "Leasing"	
<p>At 31 December 2020, the value of right-of-use assets amounted to PLN 876 million. At 31 December 2020, the value of leasing liabilities amounted to PLN 931 million.</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</p>

<p>IFRS 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, variety of contracts and magnitude of IFRS 16 balance sheet positions for the financial statements it was considered as the key audit matter.</p> <p>Disclosures relating to right-of-use assets and leasing liabilities related to the use of IFRS 16 are included note 8 "Right-of-use assets", note 27 "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 2.2.7 "Assets right for use" and 2.2.9 "Lease" of accounting principles and in point 1.1.5 "Judgment and assumption" to the separate financial statements.</p>	<p>16 and related relevant judgments and estimates, in particular regarding:</p> <ul style="list-style-type: none"> - determining the scope of contracts subject to recognition determining the scope of contracts subject to recognition in accordance with IFRS 16; - the determination of minimum leasing payments; - term of leasing periods; - the determination of discount rates. <p>In addition, our procedures also included, inter alia:</p> <ul style="list-style-type: none"> - understanding the process of identifying of the agreements within the IFRS 16 and the assessment of key control mechanisms in this regard; - 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; - analysis of the completeness of the identification of contracts falling within the scope of IFRS 16. <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 the impact of the implementation of the new standard on the financial statements of the Company.</p>
--	--

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, actions taken to eliminate threats or safeguards applied.

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 2020 to 31 December 2020, 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 four consecutive years.

Warsaw, 10 March 2021

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 2020 TO 31 DECEMBER 2020

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, 10 March 2021

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2020</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

General information	3
1. Information about the company.....	3
2. Bodies of the company.....	3
Separate income statement for the period from 01.01.2020 to 31.12.2020.....	5
Separate statement of comprehensive income for the period from 01.01.2020 to 31.12.2020.....	6
Separate statement of financial position as at 31.12.2020.....	7
Separate statement of cash flows for the period from 01.01.2020 to 31.12.2020	9
Separate statement on changes in equity in the period from 01.01.2020 to 31.12.2020	10
Notes to separate financial statements prepared for the period from 01.01.2020 to 31.12.2020.....	11
1. General information	11
2. Applied accounting policies.....	17
3. Notes to separate financial statements prepared for the period from 01.01.2020 to 31.12.2020	38

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	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 2020 and ended 31 December 2020, and the comparable period is the period from 1 January 2019 to 31 December 2019.

The consolidated statement of financial position has been prepared as at 31 December 2020, and the comparative figures are presented as at 31 December 2019.

The Company prepared consolidated financial statements for the year ended on 31 December 2020, which was approved for publication on 10 March 2021.

2. BODIES OF THE COMPANY

2.1. MANAGEMENT BOARD

As at 31 December 2020, the Company's Management Board consisted of the following members:

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2020</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 2020, the Company's Supervisory Board consisted of the following members:

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

2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

By resolution of 18.12.2019, Noel Collett was appointed a Member of the Management Board with effect from 01.01.2020.

According to the statement of 08.09.2020, Ewald Raben resigned from the position of a Member of the Supervisory Board of the Company with effect on 20.10.2020.

On 20.10.2020, the Extraordinary General Meeting of Eurocash S.A. elected Przemysław Budkowski as a Member of the Supervisory Board.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	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 01.01.2020 TO 31.12.2020

	Note	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Sales		16 109 125 701	15 199 586 747
Sales of goods	30	16 056 012 702	15 125 915 389
Sales of services	30	53 112 999	73 671 358
Costs of sales		(14 220 487 313)	(13 397 819 502)
Cost of goods and services sold		(14 220 487 313)	(13 397 819 502)
Gross profit (loss)		1 888 638 388	1 801 767 244
Selling expenses	31	(1 369 944 183)	(1 336 791 130)
General and administrative expenses	31	(262 561 835)	(280 595 044)
Profit (loss) on sales		256 132 370	184 381 070
Other operating income	32	70 971 941	56 036 225
Other operating expenses	32	(74 046 476)	(23 784 790)
Operating profit (loss)		253 057 835	216 632 505
Financial income	33	63 470 997	103 975 252
Financial costs	33	(154 795 646)	(112 729 724)
Profit (loss) before tax		161 733 187	207 878 034
Income tax expense	28	(32 798 154)	(33 265 578)
Profit (loss) for the period		128 935 033	174 612 455

NET EARNINGS PER SHARE

	PLN / share	PLN / share
Net profit (loss)	128 935 033	174 612 455
Weighted average number of shares	139 163 286	139 163 286
Weighted average diluted number of shares	139 163 286	139 163 286
Earnings per share		
- basic	0,93	1,25
- diluted	0,93	1,25

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01.2020 TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Profit (loss) for the period	128 935 033	174 612 455
Other comprehensive income (loss) for the period	(16 406 815)	2 310 742
Items that may be subsequently reclassified to profit or loss:		
- The result on hedge accounting with the tax effect:	(16 406 815)	2 310 742
Total comprehensive income (loss) for the period	112 528 218	176 923 197

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	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 31.12.2020

	Note	as at 31.12.2020	as at 31.12.2019	na dzień 01.01.2019
Assets			restated *	restated *
Non-current assets (long-term)		4 574 824 651	4 549 573 989	4 083 952 807
Goodwill	6	1 204 087 310	1 159 152 162	888 156 521
Intangible assets	6	596 008 119	604 997 749	523 056 721
Property, plant and equipment	7	433 767 430	448 955 881	446 745 979
Perpetual use	8	876 308 646	931 607 465	862 348 213
Investment real property	10	925 711	941 407	957 103
Investments in subsidiary companies	11	1 445 256 408	1 346 274 936	1 266 115 318
Investments in associates and joint ventures	12	4 590 840	42 793 025	40 586 757
Other long-term investments	13	57 633	6 671 728	45 932 683
Long-term receivables	14	4 557 218	6 939 199	9 298 123
Other long-term prepayments	15	9 265 337	1 240 436	755 389
Current assets (short-term)		1 913 926 278	2 050 894 258	2 132 310 029
Inventories	16	770 759 595	806 024 237	851 055 722
Trade receivables	17	1 063 875 784	1 122 074 335	1 083 188 629
Current tax assets	11	17 622 945	-	-
Other short-term receivables	17	18 208 502	31 852 370	66 788 792
Other short-term investments	18	310 285	33 733 114	3 410 994
Short-term prepayments	19	22 539 374	26 233 625	29 771 917
Cash and cash equivalents	20	20 609 792	30 976 577	98 093 976
Total assets		6 488 750 929	6 600 468 248	6 216 262 836

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	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 31.12.2020

	Note	as at 31.12.2020	as at 31.12.2019	na dzień 01.01.2019
<i>Equity and liabilities</i>				
Equity		1 218 946 940	1 084 097 183	1 050 866 874
Share capital	21	139 163 286	139 163 286	139 163 286
Reserve capital		878 713 695	696 537 775	680 200 006
Valuation equity of hedging transactions		(21 734 503)	(5 327 688)	(7 638 430)
Retained earnings		222 804 461	253 723 810	239 142 012
Accumulated profit (loss) from previous years		93 869 429	79 111 355	89 520 957
Profit (loss) for the period		128 935 033	174 612 455	149 621 055
Liabilities		5 269 803 989	5 516 371 065	5 165 395 962
Non-current liabilities		1 370 141 883	828 307 997	810 841 376
Long-term loans and borrowings	25	464 685 000	-	-
Other long-term financial liabilities	26	130 683 208	38 415	-
Long-term lease liabilities	27	760 125 223	799 207 791	736 730 097
Other long-term liabilities	24	432 070	1 320 500	1 061 800
Deferred tax liabilities	29	9 416 458	24 001 976	69 767 245
Employee benefits	23	4 799 923	3 739 315	3 282 234
Current liabilities		3 899 662 107	4 688 063 068	4 354 554 586
Loans and borrowings	25	742 195 698	1 387 439 995	1 014 433 854
Other short-term financial liabilities	26	31 839 487	21 108 129	27 288 836
Short-term lease liabilities	27	171 270 476	148 262 586	126 468 038
Trade liabilities	24	2 622 500 368	2 870 981 863	2 887 356 977
Current tax liabilities	24	-	10 971 367	40 241 661
Other short-term payables	24	65 340 096	48 888 504	49 419 392
Current employee benefits	23	92 466 961	85 030 764	68 627 054
Provisions	23	174 049 021	115 379 861	140 718 774
Total equity and liabilities		6 488 750 929	6 600 468 248	6 216 262 836

* Note 6

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	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 01.01.2020 TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
<i>Cash flow from operating activities</i>		
Profit (loss) before income tax	161 733 187	207 878 034
Adjustments for:	380 725 861	316 949 454
Depreciation and amortization	282 844 788	284 373 043
Equity-settled shared share-based payment transactions	-	5 880 000
(Gain) loss on sale of property	23 762 249	6 216 730
Gain (loss) on exchange rates	25 546 618	(3 449 230)
Interest expenses	89 217 091	104 101 825
Interest received	(3 941 226)	(5 247 839)
Dividend and remission of sales income	(36 703 659)	(74 925 076)
Operating cash before changes in working capital	542 459 048	524 827 488
Changes in inventories	35 264 642	82 317 405
Changes in receivables	54 654 988	(14 730 747)
Changes in payables	(226 398 546)	(55 712 998)
Changes in provisions and employee benefits	64 324 155	1 321 753
Other adjustments	-	-
Operating cash	470 304 286	538 022 900
Interest received	2 855 915	3 458 302
Interest paid	(32 123 777)	(43 957 011)
Income tax paid	(49 335 813)	(42 947 619)
Net cash from operating activities	391 700 611	454 576 572
<i>Cash flow from investing activities</i>		
Acquisition of intangible assets	(42 782 746)	(125 573 020)
Proceeds from sale of intangible assets	4 465	348 440
Acquisition of property, plant and equipment	(54 808 732)	(77 143 944)
Proceeds from sale of property, plant and equipment	10 040 964	2 671 092
Acquisition of an organized part of the enterprise	-	(359 305 000)
Income/expenses on other short-term financial assets	-	(3 627 160)
Acquisition of subsidiaries, net of cash acquired	(156 879 077)	(71 478 811)
Loans granted	90 743	(2 686 370)
Repayment received of granted loans	33 540 088	15 510 236
Interest received	1 014 138	1 584 139
Dividends received	36 703 659	74 925 076
Net cash from investing activities	(173 076 499)	(544 775 321)
<i>Cash flows from financing activities</i>		
Issue of financial debt securities	125 000 000	-
Income/expenses for other financial liabilities	(3 878 336)	(3 290 365)
Proceeds from loans and borrowings	369 323 121	373 006 296
Repayment of borrowings	(504 552 310)	-
Payment of finance lease liabilities	(146 979 043)	(145 143 837)
Other interest	(42 786 344)	(34 765 219)
Interests on loans and borrowings	(25 117 985)	(27 562 239)
Dividends paid	-	(139 163 286)
Net cash used in financing activities	(228 990 897)	23 081 350
Net change in cash and cash equivalents	(10 366 785)	(67 117 399)
Cash and cash equivalents at the beginning of the period	30 976 577	98 093 976
Cash and cash equivalents at the end of the period	20 609 793	30 976 577

<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)		

SEPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 01.01.2020 TO 31.12.2020

	Share capital	Reserve capital	Hedge reserve	Retained earnings	Total
<i>Changes in equity in the period from 01.01 to 31.12.2019</i>					
Balance as at 1 January 2019	139 163 286	680 200 006	(7 638 430)	239 142 012	1 050 866 874
Profit (loss) for the period from 01.01. to 31.12.2019	-	-	-	174 612 455	174 612 455
Other comprehensive income for the period 01.01 to 31.12.2019	-	-	2 310 742	-	2 310 742
Total comprehensive income for the period from 01.01. to 31.12.2019	-	-	2 310 742	174 612 455	176 923 197
Dividends	-	-	-	(139 163 286)	(139 163 286)
Transfer to reserve capital	-	10 457 769	-	(10 457 769)	-
Equity-settled share based payment transactions	-	5 880 000	-	-	5 880 000
Resignation from the incentive program	-	-	-	(9 096 679)	(9 096 679)
Other	-	-	-	(1 312 923)	(1 312 923)
Total transaction with Owners of the Company recognized directly in equity	-	(167 422 287)	-	(160 030 658)	(143 692 889)
Balance as at 31.12.2019	139 163 286	696 537 775	(5 327 688)	253 723 810	1 084 097 182
<i>Changes in equity in the period from 01.01. to 31.12.2020</i>					
Balance as at 01 January 2020	139 163 286	696 537 775	(5 327 688)	253 723 810	1 084 097 183
Profit (loss) for the period from 01.01 to 31.12.2020	-	-	-	128 935 033	128 935 033
Other comprehensive income for the period 01.01 to 31.12.2020	-	-	(16 406 815)	-	(16 406 815)
Total comprehensive income for the period from 01.01. to 31.12.2020	-	-	(16 406 815)	128 935 033	112 528 218
Transfer to reserve capital	-	174 612 455	-	(174 612 455)	-
Merger with subsidiaries *	-	23 243 466	-	(921 926)	22 321 539
Resignation from the incentive program	-	(15 680 000)	-	15 680 000	-
Total transaction with Owners of the Company recognized directly in equity	-	182 175 921	-	(159 854 381)	22 321 539
Balance as at 31.12.2020	139 163 286	878 713 695	(21 734 503)	222 804 461	1 218 946 940

* Note 3, Note 5

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	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 01.01.2020 TO 31.12.2020

1. GENERAL INFORMATION

1.1. PUBLICATION OF THE FINANCIAL STATEMENT

According to the resolution of the Management Board dated 10 March 2021, separate financial statements of Eurocash S.A. for the period from 1 January 2020 to 31 December 2020 were authorized for publication.

According to the information included in current report no.1/2021, dated 12 January 2021, sent to the Polish Financial Supervision Authority, Eurocash S.A. publishes its separate financial statements on 11 March 2021.

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").

These annual separate financial statements must be read with the annual consolidated financial statements of the Eurocash S.A. Capital Group as at and for the period ended on 31 December 2020 and in the separate financial statements of Eurocash S.A. as at and for the year ended 31 December 2019, which is available on the website www.grupaeurocash.pl.

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

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

a) Amendments to IFRS 3: Definition of a Business

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

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

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

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

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

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

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

e) Amendment to IFRS 16 *Leases: Rent Concessions related to Covid-19* of 28 May 2020 - applicable retrospectively for annual periods beginning on 1 January 2020 or later.

As a practical solution, the lessee may choose not to assess whether the rent relief granted directly to the Covid-19 pandemic that meets certain conditions constitutes a lease modification. A lessee that makes such a decision shall account for any change in lease payments that results from a rent relief in the same way it would account for a change under IFRS 16 if the change were not a lease modification.

The Company analyzed the potential impact of these changes, considered them insignificant and therefore decided not to apply the simplification.

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

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

- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) - 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) including Amendments to IFRS 17 (issued on 25 June 2020) – effective for financial years beginning on or after 1 January 2023,
- Amendments to IAS 1: *Presentation of financial statements - Division of liabilities into short-term and long-term and Division of liabilities into short-term and long-term* - postponement of the effective date (published on 23 January 2020 and 15 July 2020, respectively) - applicable to annual periods beginning on 1 January 2023 or later,

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- Amendments to IFRS 3: Reference to the Conceptual Framework (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2022;
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2022;
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2022,
- Annual Improvements to IFRS Standards 2018–2020 (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2022,
- Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions (issued on 28 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020,
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2021,
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reform of interest rate benchmarks - Phase 2 (published on August 27, 2020) - applicable to annual periods beginning on January 1, 2021 or later,
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2023,
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2023.

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

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

1.4. 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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

estimates and judgements are a basis for the determination of the carrying value of assets and liabilities not resulting directly from other sources. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Impairment of assets

Judgment is required to analyze the premises for impairment and conduct tests. In this context, in particular, the feasibility of budgets and the impact of the Covid-19 pandemic on the Company's operations were analyzed. As a consequence of these premises, the Company conducted tests for the loss of goodwill and other assets. This required estimating the value in use of the cash-generating units to which the goodwill and trademarks are allocated. Estimating the value in use consists in determining the future cash flows generated by the cash-generating unit and requires determining the discount rate to be applied in order to calculate the present value of these flows. The assumptions made for that purpose are presented in Note 41.

Impairment of trade receivables

In the current period, estimates of expected credit losses ("ECL") were updated. The level of losses was influenced by the current situation related to the Covid-19 pandemic. Details are included in pt. 1.7.

Revenue recognition

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

If the remuneration specified in the contract includes a variable amount, the Company estimates the amount of remuneration to which it will be entitled in exchange for the delivery of the promised goods or services to the customer. Details in pt. 2.27.

Leasing - recognition of the lessee

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

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

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Classification of liabilities due to reverse factoring

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

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

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

Depreciation rates

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

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

Split Payment

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

Deferred tax asset

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

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

Court cases

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

1.6. COMPARABILITY OF FINANCIAL STATEMENTS

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

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

for the year ended 31 December 2019, except for the application of new or changed standards and interpretations effective for annual periods beginning on or after 1 January 2020 and later.

1.7. GOING CONCERN

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

On 19 June 2020, the Company concluded a three-year loan agreement with a syndicate of banks with a limit of PLN 600 million, the use of which as at 31 December 2020 was PLN 250 million. At the same time, the Management Board decided to use this loan in July 2020 to refinance the loan agreement ending in September 2020, thereby changing the short-term nature of this financing to long-term. As at 31 December 2020, there was a surplus of current liabilities over its current assets in the amount of PLN 2.0 billion. At the same time, as at 31 December 2020, there was a surplus of trade liabilities over current assets (trade receivables and inventories) in the amount of PLN 0.8 billion, which, according to the Management Board, is typical for the industry in which the Company operates, in which a significant part of sales is made on cash terms, inventories are minimized, and suppliers provide deferred payment terms, and the Company also uses reverse factoring instruments. At the same time, the Company is developing the retail network, involving its own funds and funds from external sources of financing.

The financial plans prepared by the Management Board for 2021 and subsequent years, as described in detail below, indicate that the Company maintains liquidity and the ongoing servicing of liabilities. The financing conditions included in the loan agreements are monitored on an ongoing basis. As at the balance sheet date, 31 December, 2020, none of these conditions was violated. In addition, as at the balance sheet date, 31 December 2020, the Company also had unused credit limits in the amount of PLN 502.4 million.

The Company also analyzed the timeliness of settling its trade liabilities, details are included in Note 41. The Company plans to maintain the structure and dates of rotation of liabilities in subsequent reporting periods.

Taking into account the circumstances indicated above, the Management Board of the Company analyzed the possible impact of the indicated situation on the financial results and cash flows of the Group in the next 12 months. The models produced show that at any point in the twelve month period to date 31 December 2021, the Group will have sufficient credit limits, and the highest utilization of these limits will occur at the turn of Q1 and Q2 2021.

In order to secure financial liquidity in the event of the implementation of unfavorable epidemic scenarios in 2021, Eurocash S.A. obtained additional loans in the 3rd and 4th quarter as part of the anti-crisis shield, secured by an 80% guarantee from Bank Gospodarstwa Krajowego in the amount of PLN 150 million. As at 31 December 2020, the use of these loans amounted to PLN 75 million. The Company is still considering an offer for another PLN 50 million. As a standard, the Group also has short-term loans active as at the

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

date of these financial statements, maturing within 12 months from the date of the last extension. The total amount of financing available under these loans is PLN 149 million, and their use is PLN 71.6 million. In each adopted model, the Management Board assumes that all current credit limits on current accounts will be extended for subsequent periods in unchanged amounts.

In addition, in the second quarter, a loan was disbursed under the agreement concluded with the European Bank for Reconstruction and Development in the amount of PLN 222.75 million, valid until June 2025. The funds from this loan were used mainly to finance the purchase of Frisco S.A.

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

Issue details are described in the Note 26.

In order to continue operating activities, and in particular to ensure financing of the supply chain, the Company maintains limits in factoring institutions in the amount of PLN 2.16 billion. In July 2020, the company replaced part of the factoring program with a guaranteed one under the anti-crisis shield, secured in the form of an 80% surety from Bank Gospodarstwa Krajowego in the amount of PLN 125 million.

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

On the basis of the above models, the Group also monitors and prepares projections of meeting the financial ratios in accordance with the loan agreements (covenants). In each of the future reporting periods covered by the analysis, up to and including the fourth quarter of 2021, including the negative scenario, these ratios meet the level required by the banks financing the Group.

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

2. 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

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

2.2. FINANCIAL YEAR

Financial year of Eurocash S.A. is a calendar year.

2.3. FORMAT AND CONTENT OF SEPARATE FINANCIAL STATEMENTS

In particular, the separate financial statements consist of:

- General information
- 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:

	31.12.2020	31.12.2019
EUR	4,6148	4,2585

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.

The intangible assets of the Company include:

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- 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 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.

Transactions relating to the merger of entities under common control are settled using the pooling method.

It means that the individual components of the balance sheet are presented according to the book values from the consolidated financial statements of the Eurocash Capital Group

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%

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- 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. 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.

The initial value of fixed assets includes their purchase price increased by all costs directly related to the purchase and adaptation of the asset to a usable condition. The cost also includes the cost of replacing components of machines and devices when incurred, if the recognition criteria are met. Costs incurred after the date of putting the fixed asset into service, such as maintenance and repair costs, are charged to profit or loss as incurred.

The purchase price or the cost of manufacturing an item of property, plant and equipment include:

- a) the purchase price, including import duties and non-deductible purchase taxes, less trade discounts and rebates;
- b) all other directly identifiable costs incurred to bring the asset to a location and condition in which it can function as intended by management;

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- c) the estimated costs of dismantling and removing the asset, and site refurbishment costs, to which the entity is obligated to acquire an item of property, plant and equipment or use an item of property, plant and equipment during the period for purposes other than manufacturing.

Subsequent expenditures

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 impairment

The depreciation rates and methods applied to property, plant and equipment are subject to verification no later than at the end of the financial year. If there is a need to make adjustments to the applied depreciation rates and methods - the adjustment is made in the following year and subsequent financial years.

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

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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 losses. Production cost includes charges and borrowing costs, 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

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 PROPERTIES

Investment properties are properties 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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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.

If there is evidence of impairment in respect of investments in subsidiaries, the Company performs tests for impairment.

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

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.

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:

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- 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 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 by the Company,
- 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.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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,
- 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:

- 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

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- 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 Group.

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.

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.

Financial liabilities

Subsequent to initial recognition financial liabilities are measured at amortised cost using the effective interest method, excluding:

- financial liabilities designated as at fair value through profit or loss,
- financial liabilities recognized as a result of reclassification of financial assets that are not qualified to be derecognized,
- financial guarantees contracts,
- obligations to grant low-interest or interest-free loans.

Offsetting financial assets and financial liabilities

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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.

Derivative financial instruments are initially recognized at fair value; attributable transaction costs are recognized in the profit and loss account as incurred. After initial recognition, the Company measures derivative financial instruments at fair value, gains and losses resulting from changes in fair value are recognized in the following manner.

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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.

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 allowances

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:

- prepaid electricity and central heating,
- prepaid subscriptions, insurance,

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- alcohol permissions,
- property tax,
- prepayments for other services (e.g. telecommunications).

2.21. IMPAIRMENT

Financial assets (including receivables)

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.

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.

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 (CGU) 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).

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.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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 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 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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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.

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. LOANS AND 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.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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,
- 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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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).

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.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

The result on the sale of subsidiaries is presented by the Company in the profit and loss account in financing activities.

Government grants

If there is reasonable certainty that the subsidy will be obtained and that all related conditions will be met, then government subsidies are recognized at their fair value.

If the subsidy relates to a given cost item, then it is recognized as a reduction of costs that the subsidy is intended to compensate. If the subsidy concerns an asset, then its fair value is recognized as a decrease in the value of the relevant fixed asset, and then gradually, by equal annual write-offs, is recognized in profit or loss over the estimated useful life of the related asset.

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

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

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

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- 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.

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,

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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.

When assessing the uncertainty, the Company took into account the requirements of IAS 12, IFRIC 23, creating positions of tax liabilities / provisions, respectively.

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:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

3. NOTES TO SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2020 TO 31.12.2020

NOTE 1.

PURCHASE OF THE REMAINING 50% OF SHARES IN FHC2 SP. Z O.O. I MADAS SP. Z O.O.

Pursuant to the sale option, as a result of a declaration on the exercise of the option, Eurocash S.A. and a non-controlling shareholder a conditional share purchase agreement for shares subject to a put option.

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

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

The purchase price was in total PLN 24,769,895 and it is its final value.

NOTE 2.

ACQUISITION OF THE REMAINING 55,97% OF SHARES IN FRISCO S.A..

General information

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION

1	Name of acquired company	Frisco S.A.
2	Acquisition date of 55,67% of shares	25.06.2020
3	Acquisition cost	132 109 183
4	Total acquisition cost	176 938 529

Settlement of business acquisition

Final settlement of the purchase price of shares in Frisco S.A. is included in the consolidated financial statements of the Capital Group prepared as at 31.12.2020.

In connection with the acquisition by Eurocash S.A. the remaining 55.67% of shares in Frisco S.A., the company is fully consolidated.

In accounting for the purchase price, the net assets were adopted on the basis of their fair value, and the purchase price is the final price.

Measurement of the fair value of the existing 44.03% of shares in Frisco S.A. amounts to PLN 44,069,319. This value increased the goodwill and as a result was recognized once in the consolidated result, increasing the value of other operating income.

The purchase transaction took place on an arm's length basis.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	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 25.06.2020
<i>Assets</i>	
Non-current assets (long-term)	85 784 797
Intangible assets	22 645 037
Tangible fixed assets	26 663 505
Right of use assets	36 153 599
Long-term receivables	310 013
Other long-term prepayments	12 642
Current assets (short-term)	21 125 005
Inventory	4 816 209
Trade receivables	5 617 996
Current income tax receivables	64 573
Other short-term receivables	3 759 077
Short-term prepayments	3 097 142
Cash and cash equivalents	3 770 008
Total assets	106 909 802
<i>Equity nad liabilities</i>	
Liabilities	107 057 979
Non-current liabilities	52 005 316
Long-term lease liabilities	47 827 586
Deferred tax liabilities	3 501 700
Employee benefits	572 168
Other long-term provision	103 862
Current liabilities	55 052 662
Short-term loans and credits	15 900 799
Short-term lease liabilities	12 223 542
Trade liabilities	16 271 557
Other short-term liabilities	3 478 138
Current employee benefits	570 920
Other short-term provisions	6 607 707
Total liabilities	107 057 979
Net assets	(148 176)
Net assets acquired (100%)	(148 177)
Share in losses of Frisco S.A. during the consolidation period using the equity method	(26 122 913)
Valuation of Frisco S.A. shares for the settlement of the acquisition	44 069 319
Goodwill on acquisition	195 033 111
Acquisition cost	176 938 529

The established goodwill is mainly related to the fact that thanks to the acquisition of Frisco S.A., the Eurocash Group. has expanded its distribution channels for food.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 3.

MERGER OF EUROCASH S.A. AND THE SUBSIDIARY DEF SP. Z O.O.

On October 20, 2020, the Extraordinary General Meeting of Eurocash S.A. (Acquiring Company) adopted a resolution to merge Eurocash S.A. with DEF Sp. z o.o. with its office in Białystok (the Acquired Company). The merger was effected by transferring all assets of the Acquired Company to the Acquiring Company (merger by acquisition), without increasing the share capital of the Acquiring Company. The Acquiring Company was the only shareholder of the Acquired Company, therefore the merger took place in the simplified merger procedure. The merger was registered with the National Court Register on December 01, 2020.

Basic information on the Acquired Company is presented in the table below:

GENERAL INFORMATION ABOUT THE MERGER

1 Acquired company name	DEF Sp. z o.o.	
2 Main activity	Non-specialized wholesale of food, beverages and tobacco products (PKD 4639Z)	
3 Date of acquisition		21.12.2011
4 Date of merger		01.12.2020
5 Percentage of share capital owned		100%
6 Share in the total number of votes		100%

A presentation of a merger of entities is presented in the table below:

SETTLEMENT OF MERGER WITH DEF SP. Z O.O.

	Statement of financial position of DEF Sp. z o.o. as at 01.12.2020 - selected data	Statement of financial position of Eurocash S.A. as at 01.12.2020 - selected data	Adjustments in statement of financial position of Eurocash S.A. after the merger as at 01.12.2020	Statement of financial position of Eurocash S.A. after the adjustments
Goodwill	-	1 133 815 482	44 935 147	1 178 750 629
Investments in subsidiaries	-	1 548 246 149	(77 727 951)	1 470 518 198
Share capital	1 450 000	139 163 286	(1 450 000)	139 163 286
Supplementary capital	54 209 063	874 390 030	(30 965 597)	897 633 495
Reserve capital	377 207	-	(377 207)	-
Financial result	(3 577 330)	192 664 265	-	189 086 934

The acquired assets and liabilities resulting from the merger, being a combination of entities under common control, were recognized according to the book values from the consolidated financial statements of the Eurocash S.A. Capital Group.

In connection with the merger of Eurocash S.A. and DEF Sp. z o.o. on 01.12.2020, the table below presents the financial data of the companies as at the merger date, excluding their group transactions.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

STATEMENT OF FINANCIAL POSITION OF EUROCASH S.A. AND DEF SP. Z O.O. AS AT THE DATE OF MERGER

ASSETS	EUROCASH S.A.	DEF Sp. z o.o.	Total	Adjustements and exclusions	Total after the adjustments
Non-current assets (long-term)	4 584 181 689	8 895 608	4 593 077 297	(34 012 471)	4 559 064 825
Goodwill	1 133 815 482	-	1 133 815 482	44 935 147	1 178 750 629
Intangible assets	590 250 608	210 510	590 461 119	-	590 461 119
Property, plant and equipment	429 904 664	4 325 918	434 230 582	-	434 230 582
Perpetual use	859 327 322	3 129 089	862 456 411	-	862 456 411
Investment real property	927 019	-	927 019	-	927 019
Investments in subsidiary companies	1 548 246 149	-	1 548 246 149	(77 727 951)	1 470 518 198
Investments in associates and joint ventures	4 590 840	-	4 590 840	-	4 590 840
Other long-term investments	57 633	-	57 633	-	57 633
Long-term receivables	6 916 438	9 280	6 925 718	-	6 925 718
Deferred tax assets	-	1 219 667	1 219 667	(1 219 667)	-
Other long-term prepayments	10 145 533	1 144	10 146 677	-	10 146 677
Current assets (short-term)	1 927 385 176	62 696 082	1 990 081 258	(46 227 190)	1 943 854 068
Inventories	826 332 050	-	826 332 050	-	826 332 050
Trade receivables	1 002 962 231	10 440 923	1 013 403 153	-	1 013 403 153
Current tax assets	-	465 841	465 841	-	465 841
Other short-term receivables	40 309 859	5 355 954	45 665 813	-	45 665 813
Short-term financial assets in subsidiary companies	-	46 227 190	46 227 190	(46 227 190)	-
Other short-term investments	330 472	-	330 472	-	330 472
Short-term prepayments	22 887 156	159 175	23 046 331	-	23 046 331
Cash and cash equivalents	34 563 408	47 000	34 610 408	-	34 610 408
Total assets	6 511 566 864	71 591 690	6 583 158 554	(80 239 661)	6 502 918 893

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

STATEMENT OF FINANCIAL POSITION OF EUROCASH S.A. AND DEF SP. Z O.O. AS AT THE DATE OF MERGER

Equity and liabilities	EUROCASH S.A.	DEF Sp. z o.o.	Total	Adjustments and exclusions	Total after the adjustments
Equity	1 185 100 700	52 458 939	1 237 559 639	(32 792 804)	1 204 766 835
Share capital	139 163 286	1 450 000	140 613 286	(1 450 000)	139 163 286
Reserve capital	874 390 030	54 209 063	928 599 093	(30 965 597)	897 633 495
Supplementary capital	-	377 207	377 207	(377 207)	-
Valuation equity of hedging transactions	(22 038 807)	-	(22 038 807)	-	(22 038 807)
Retained earnings	192 664 265	(3 577 330)	189 086 934	-	189 086 934
Accumulated profit (loss) from previous years	78 189 429	-	78 189 429	-	78 189 429
Profit (loss) for the period	114 474 836	(3 577 330)	110 897 506	-	110 897 506
Liabilities	5 326 466 164	19 132 750	5 345 598 915	(47 446 857)	5 298 152 058
Non-current liabilities	1 077 623 266	2 678 811	1 080 302 076	(1 219 667)	1 079 082 409
Long-term loans and borrowings	297 750 000	-	297 750 000	-	297 750 000
Other long-term financial liabilities	6 491 030	-	6 491 030	-	6 491 030
Long-term lease liabilities	764 981 848	2 492 307	767 474 155	-	767 474 155
Other long-term liabilities	432 070	-	432 070	-	432 070
Deferred tax liabilities	4 119 248	-	4 119 248	(1 219 667)	2 899 580
Employee benefits	3 849 070	186 504	4 035 574	-	4 035 574
Current liabilities	4 248 842 899	16 453 939	4 265 296 839	(46 227 190)	4 219 069 649
Loans and borrowings	1 080 181 922	-	1 080 181 922	(46 227 190)	1 033 954 732
Other short-term financial liabilities	34 631 810	-	34 631 810	-	34 631 810
Short-term lease liabilities	139 581 594	689 865	140 271 460	-	140 271 460
Trade liabilities	2 715 212 303	10 551 129	2 725 763 433	-	2 725 763 433
Current tax liabilities	9 471 218	-	9 471 218	-	9 471 218
Other short-term payables	57 948 544	882 473	58 831 017	-	58 831 017
Current employee benefits	82 574 691	4 151 624	86 726 315	-	86 726 315
Provisions	129 240 816	178 848	129 419 665	-	129 419 665
Total equity and liabilities	6 511 566 864	71 591 690	6 583 158 554	(80 239 661)	6 502 918 893

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 4.

LIQUIDATION OF THE DOMELIUS COMPANY

On 28 October 2020, a resolution was adopted to dissolve Domelius without liquidation, as a result of which all assets of Domelius were transferred to Eurocash S.A. (sole partner of Domelius). This applies in particular to shares in Mila Holding S.A., of which Eurocash S.A. became the sole shareholder.

NOTE 5.

MERGER OF EUROCASH S.A. AND MILA HOLDING S.A.

On 15 December 2020, the Extraordinary General Meeting of Eurocash S.A. (Acquiring Company) adopted a resolution to merge Eurocash S.A. with Mila Holding S.A. with its seat in Inowrocław (the Acquired Company). The merger was effected by transferring all assets of the Acquired Company to the Acquiring Company (merger by acquisition), without increasing the share capital of the Acquiring Company. The Acquiring Company was the only shareholder of the Acquired Company, therefore the merger took place in the simplified merger procedure. The merger was registered with the National Court Register on 31 December 2020.

GENERAL INFORMATION ABOUT THE MERGER

1 Acquired company name	Mila Holding S.A.
2 Main activity	Finance holding activity (PKD 6420Z)
3 Date of acquisition	29.05.2018
4 Date of merger	31.12.2020
5 Percentage of share capital owned	100%
6 Share in the total number of votes	100%

A presentation of a merger is presented in the table below:

SETTLEMENT OF MERGER WITH MILA HOLDING S.A.

	Statement of financial position of Mila Holding S.A. as at 31.12.2020 - selected data	Statement of financial position of Eurocash S.A. as at 31.12.2020 - selected data	Adjustments in statement of financial position of Eurocash S.A. after the merger as at 31.12.2020	Statement of financial position of Eurocash S.A. after the adjustments
Investments in subsidiaries	350 000 000	1 445 256 408	(350 000 000)	1 445 256 408
Share capital	1 030 302	139 163 286	(1 030 302)	139 163 286
Supplementary capital	37 778 427	878 713 695	(37 778 427)	878 713 695
Reserve capital	245 478 905	-	(245 478 905)	-
Financial result	(1 713 742)	223 730 569	787 634	222 804 461
Current tax liabilities	66 500 000	-	(66 500 000)	-

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2020</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

The acquired assets and liabilities resulting from the merger, being a combination of entities under common control, were recognized according to the book values from the consolidated financial statements of the Eurocash S.A. Capital Group.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

In connection with the merger of Eurocash S.A. and Mila Holding S.A. on 31 December 2020, the table below presents the financial data of the companies as at the merger date, excluding their group transactions.

STATEMENT OF FINANCIAL POSITION OF EUROCASH S.A. AND MILA HOLDING S.A. AS AT THE DATE OF MERGER

ASSETS	EUROCASH S.A.	Mila Holding S.A.	Total	Adjustments and exclusions	Total after the adjustments
Non-current assets (long-term)	4 574 844 839	350 000 000	4 924 844 839	(350 020 188)	4 574 824 651
Goodwill	1 204 087 310	-	1 204 087 310	-	1 204 087 310
Intangible assets	596 008 119	-	596 008 119	-	596 008 119
Property, plant and equipment	433 767 430	-	433 767 430	-	433 767 430
Perpetual use	876 308 646	-	876 308 646	-	876 308 646
Investment real property	925 711	-	925 711	-	925 711
Investments in subsidiary companies	1 445 256 408	350 000 000	1 795 256 408	(350 000 000)	1 445 256 408
Investments in associates and joint ventures	4 590 840	-	4 590 840	-	4 590 840
Other long-term investments	77 820	-	77 820	(20 188)	57 633
Long-term receivables	4 557 218	-	4 557 218	-	4 557 218
Other long-term prepayments	9 265 337	-	9 265 337	-	9 265 337
Current assets (short-term)	1 913 921 837	4 441	1 913 926 278	-	1 913 926 278
Inventories	770 759 595	-	770 759 595	-	770 759 595
Trade receivables	1 063 875 784	-	1 063 875 784	-	1 063 875 784
Current tax assets	17 622 945	-	17 622 945	-	17 622 945
Other short-term receivables	18 208 502	-	18 208 502	-	18 208 502
Other short-term investments	310 285	-	310 285	-	310 285
Short-term prepayments	22 539 374	-	22 539 374	-	22 539 374
Cash and cash equivalents	20 605 351	4 441	20 609 792	-	20 609 792
Total assets	6 488 766 675	350 004 441	6 838 771 116	(350 020 188)	6 488 750 929

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

STATEMENT OF FINANCIAL POSITION OF EUROCASH S.A. AND MILA HOLDING S.A. AS AT THE DATE OF MERGER

Equity and liabilities	EUROCASH S.A.	Mila Holding S.A.	Total	Adjustments and exclusions	Total after the adjustments
Equity	1 219 873 048	282 573 892	1 502 446 940	(283 500 000)	1 218 946 940
Share capital	139 163 286	1 030 302	140 193 588	(1 030 302)	139 163 286
Reserve capital	878 713 695	37 778 427	916 492 122	(37 778 427)	878 713 695
Supplementary capital	-	245 478 905	245 478 905	(245 478 905)	-
Valuation equity of hedging transactions	(21 734 503)	-	(21 734 503)	-	(21 734 503)
Retained earnings	223 730 569	(1 713 742)	222 016 827	787 634	222 804 461
Accumulated profit (loss) from previous years	94 791 355	(1 709 560)	93 081 795	787 634	93 869 429
Profit (loss) for the period	128 939 215	(4 182)	128 935 033	-	128 935 033
Liabilities	5 268 893 628	67 430 549	5 336 324 177	(66 520 188)	5 269 803 989
Non-current liabilities	1 369 296 883	865 188	1 370 162 070	(20 188)	1 370 141 883
Long-term loans and borrowings	463 840 000	865 188	464 705 188	(20 188)	464 685 000
Other long-term financial liabilities	130 683 208	-	130 683 208	-	130 683 208
Long-term lease liabilities	760 125 223	-	760 125 223	-	760 125 223
Other long-term liabilities	432 070	-	432 070	-	432 070
Deferred tax liabilities	9 416 458	-	9 416 458	-	9 416 458
Employee benefits	4 799 923	-	4 799 923	-	4 799 923
Current liabilities	3 899 596 745	66 565 362	3 966 162 107	(66 500 000)	3 899 662 107
Loans and borrowings	742 131 716	63 982	742 195 698	-	742 195 698
Other short-term financial liabilities	31 839 487	-	31 839 487	-	31 839 487
Short-term lease liabilities	171 270 476	-	171 270 476	-	171 270 476
Trade liabilities	2 622 498 989	1 380	2 622 500 368	-	2 622 500 368
Current tax liabilities	0	66 500 000	66 500 000	(66 500 000)	0
Other short-term payables	65 340 096	-	65 340 096	-	65 340 096
Current employee benefits	92 466 961	-	92 466 961	-	92 466 961
Provisions	174 049 021	-	174 049 021	-	174 049 021
Total equity and liabilities	6 488 766 676	350 004 441	6 838 771 117	(350 020 188)	6 488 750 929

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 6.
GOODWILL AND INTANGIBLE ASSETS

The table below presents intangible asset data.

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01. TO 31.12.2020

	Goodwill	Patents and licences	Trademarks	Relations with clients	Other intangible fixed assets	Advances	Total
Carrying amount as at 01.01.2019	888 156 520	35 532 929	293 752 941	170 874 850	995 031	21 900 970	1 411 213 243
Other acquisitions	270 995 642	17 427 168	-	-	87 356 117	20 789 750	396 568 676
Transfer of fixed assets under construction	-	23 334 594	-	-	597 669	(20 472 578)	3 459 685
Decrease due to sale	-	(175 515)	-	-	(275)	-	(175 790)
Liquidations	-	(254 417)	-	-	(19 545)	-	(273 962)
Depreciation	-	(21 849 541)	-	(17 537 507)	(7 254 892)	-	(46 641 939)
Carrying amount as at 31.12.2019	1 159 152 162	54 015 218	293 752 941	153 337 343	81 674 105	22 218 141	1 764 149 912
Carrying amount as at 01.01.2020	1 159 152 162	54 015 218	293 752 941	153 337 343	81 674 105	22 218 141	1 764 149 911
Acquisition due to merger of enterprises	44 935 147	335 971	-	-	-	-	45 271 119
Other acquisitions	-	12 265 386	1 606 912	-	-	29 021 900	42 894 198
Transfer of fixed assets under construction	-	34 889 120	214 487	-	-	(34 929 670)	173 937
Decrease due to sale	-	(2 908)	-	-	-	-	(2 908)
Liquidations	-	(432)	-	-	-	-	(432)
Depreciation	-	(25 645 698)	(5 358 181)	(12 500 000)	(8 886 537)	1 406	(52 389 011)
Other changes	-	(1 386)	-	-	-	-	(1 386)
Carrying amount as at 31.12.2020	1 204 087 309	75 855 271	290 216 159	140 837 343	72 787 568	16 311 777	1 800 095 428

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01. TO 31.12.2020 (continued)

	Goodwill	Patents and licences	Trademarks	Relations with clients	Other intangible fixed assets	Advances	Total
<i>As at 31.12.2019</i>							
Cost	1 159 152 163	211 982 594	316 209 364	256 297 960	108 216 834	22 218 141	2 074 077 056
Accumulated amortisation	-	(157 967 376)	(22 456 423)	(102 960 617)	(26 542 729)	-	(309 927 144)
Carrying value	1 159 152 163	54 015 218	293 752 941	153 337 343	81 674 105	22 218 141	1 764 149 912
<i>As at 31.12.2020</i>							
Cost	1 204 087 309	259 468 778	318 030 763	256 297 960	108 216 834	16 310 371	2 162 412 015
Accumulated amortisation	-	(183 613 506)	(27 814 604)	(115 460 617)	(35 429 266)	1 406	(362 316 588)
Carrying value	1 204 087 309	75 855 272	290 216 159	140 837 343	72 787 568	16 311 777	1 800 095 428

Goodwill presented in intangible assets arose as a consequence of (chronologically):

- 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 554,351,163,
- 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,
- merger with DEF Sp. z o.o. as at 01.12.2020 in the amount of PLN 44.935.147.

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 9.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2020</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

The table below presents an adjustment regarding the change in Goodwill with the Company. The change results from the method of presenting the settlement of the merger with Tradis:

<i>Assets</i>	Data before changes as at 01.01.2019	Change of Goodwill as at 01.01.2019	Data after changes as at 01.01.2019
Non-current assets (long-term)	2 154 271 839	-	2 154 271 839
Goodwill	862 819 840	25 336 680	888 156 521
Investments in subsidiary companies	1 291 451 999	-25 336 680	1 266 115 318
Total assets	5 354 939 291	-	5 354 939 291

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment items are presented below:

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01. TO 31.12.2020

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Carrying amount as at 01.01.2019	269 310 609	84 875 165	16 685 435	52 433 411	23 441 360	446 745 979
Other acquisitions	9 850 417	28 669 664	11 966 689	15 774 253	25 021 981	91 283 005
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)
Carrying amount as at 31.12.2019	269 693 533	89 512 343	23 189 426	44 463 682	22 096 896	448 955 881
Carrying amount as at 01.01.2020	269 693 533	89 512 343	23 189 426	44 463 682	22 096 896	448 955 881
Acquisition due to merger of enterprises	4 261 640	77 081	236 186	28 356	-	4 603 263
Other acquisitions	3 623 941	19 024 789	3 841 832	7 611 050	24 568 607	58 670 218
Increases due to the transfer of fixed assets under construction	29 156 893	2 681 083	-	2 421 787	(34 433 700)	(173 937)
Disposals	(6 689 401)	(590 889)	(239 866)	(110 433)	-	(7 630 589)
Liquidations	(237 048)	(145 906)	-	(6 801)	(686 144)	(1 075 900)
Depreciation	(20 322 238)	(26 548 040)	(7 211 920)	(15 499 429)	116	(69 581 509)
Carrying amount as at 31.12.2020	279 487 320	84 010 462	19 815 658	38 908 213	11 545 775	433 767 430

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	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 01.01. TO 31.12.2020 (continued)

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
<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)
Carrying amount	269 693 533	89 512 343	23 189 426	44 463 682	22 096 896	448 955 881
<i>As at 31.12.2020</i>						
Cost	495 279 696	298 121 992	106 683 402	296 673 571	11 545 659	1 208 304 319
Accumulated amortisation	(215 792 376)	(214 111 530)	(86 867 744)	(257 765 358)	116	(774 536 892)
Carrying amount	279 487 320	84 010 462	19 815 658	38 908 213	11 545 775	433 767 429

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 8. PERPETUAL USE

PERPETUAL USE IN THE PERIOD FROM 01.01. TO 31.12.2020

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Total
Carrying amount as at 01.01.2019	756 547 120	26 563	105 700 784	73 745	862 348 213
Increases due to the new agreements	87 486 929	(502)	73 157 271	(563)	160 643 135
Changes in conditions of contracts	68 729 837	-	9 367 119	-	78 096 956
Decrease of contracts scope	(5 258 534)	-	(3 587 897)	-	(8 846 431)
Depreciation	(107 210 746)	(26 062)	(53 324 416)	(73 182)	(160 634 405)
Carrying amount as at 31.12.2019	800 294 607	-	131 312 862	-	931 607 465

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Total
Carrying amount as at 01.01.2020	800 294 607	-	131 312 862	-	931 607 468
Acquisition due to merger of enterprises	3 059 233	-	64 394	5 462	3 129 089
Increases due to the new agreements	16 950 271	-	60 734 390	247 141	77 931 802
Changes in conditions of contracts	7 992 143	-	18 604 832	-	26 596 976
Decrease of contracts scope	(785 171)	-	(1 311 040)	(1 901)	(2 098 113)
Depreciation	(104 994 986)	-	(55 854 028)	(9 558)	(160 858 572)
Carrying amount as at 31.12.2020	722 516 096	-	153 551 411	241 143	876 308 646

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2020</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

PERPETUAL USE IN THE PERIOD FROM 01.01. TO 31.12.2020

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Total
<i>As at 31.12.2019</i>					
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)
Carrying amount	800 294 607	-	131 312 862	-	931 607 465
<i>As at 31.12.2020</i>					
Cost	934 721 828	26 062	262 729 854	323 883	1 197 801 627
Accumulated amortisation	(212 205 732)	(26 062)	(109 178 443)	(82 740)	(321 492 977)
Carrying amount	722 516 096	-	153 551 411	241 143	876 308 646

The total outflow of cash under the lease in 2020 amounted to PLN 187,468,410.

The value of interest paid under contracts covered by IFRS16 amounted to PLN 33,818,722 in 2020 (PLN 32,765,609 in 2019).

Excluded from recognition in the balance sheet are short-term and low-value lease contracts, the total amount of which in 2020 was PLN 6,7 million. In this category, the Company includes the lease of, cars, trolleys, containers.

COVID-19 rent renegotiation has been insignificant.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 9. IMPAIRMENT TESTING OF ASSETS

The company analyzed the premises for impairment of assets, including investments in subsidiaries. In addition, the Company conducted impairment tests with regard to intangible assets with an indefinite useful life of trademarks and goodwill. The reasons for the tests were identified by the lower implementation of budgets of selected business departments in 2020 and the impact of the Covid-19 pandemic on the economic situation in Poland - the market where sales by the Company and Eurocash Group companies, as described in these financial statements.

As at 31.12.2020, the Company conducted impairment tests in relation to individual assets, including goodwill, disclosed in the financial statements in the total amount of PLN 1.204 mln (2019: PLN 1.159 mln) due to wholesale and retail activity and determined the recoverable amounts of the cash-generating units to which these assets, including goodwill are allocated.

The value of assets for testing individual centers was determined in accordance with the balance sheet value defined as the sum of assets of a given cash-generating unit, less short-term liabilities constituting part of the working capital.

The recoverable amount was determined as the value of the tested cash-generating unit based on financial projections for 2021-2025, verified by the Management Board of the Company as at 31/12/2020. In order to determine the selected parameters of the projection, historical data for 2020 and approved by the Management Board of Eurocash S.A. were used. plans for 2021-2025.

Fixed assets (including goodwill and trademarks) related to wholesale activities

The model for estimating the recoverable amount of the assets of the wholesale cash-generating unit includes 5-year detailed cash flow projections, for which it was average annual sales increase by 5% and a constant margin level from 2021.

The test assumes 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 the market risk premium, beta factor and capital structure are based on market data, adequate for the industry in which Eurocash operates - in relation to wholesale activities.

The weighted average cost of capital was adopted as the discount rate - WACC 6.69 % (WACC 6.69% in 2019).

The assumed growth rate in the residual period was 2.5%.

In the opinion of the Company, no rational change of the key assumptions adopted to measure the recoverable amount of a cash-generating unit will not cause the carrying amount of this unit to exceed its recoverable value.

Fixed assets (including goodwill) related to retail activities

As at 31 December 2020, the Company conducted impairment tests with regard to individual non-current assets, including goodwill, shown in the financial statements in the total amount of PLN 1,090 million relating to retail operations and determined the recoverable amounts of the respective cash-generating units to which these fixed assets (including goodwill) are assigned. The recoverable amount of the Retail segment assets was determined based on the cash flow projections developed, by with the following assumptions:

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

- model for determining the recoverable amount based on the existing infrastructure and sales network (value in use), including central distribution of goods and sales to own and franchise stores,
- a 5-year detailed forecast period was adopted,
- the calculation of cash flow projections takes into account the recognition of lease contracts in accordance with IFRS16,
- the cash flow forecast takes into account no deterioration of the epidemiological situation as compared to the situation as at the date of approval of these financial statements
- investment outlays in subsequent years have been agreed with the approved investment budgets, including planned outlays for store remodeling,
- in the period covered by the detailed analysis, an average annual increase in sales of 6.7% was assumed (where in 2021 the assumed sales dynamics is higher than in the subsequent years of the forecast), while in the residual period the growth rate of 2.5% was assumed,
- within the horizon of the detailed forecast, an increase in the gross margin by 0.5 pp was assumed. compared to the level achieved in 2020,
- the level of working capital was forecast on the basis of historical inventory turnover ratios, trade receivables and trade liabilities.

The discount rate used in the cash flows is consistent with the weighted average cost of capital (WACC), calculated on the basis of the risk-free rate. Other elements used in the calculation, such as the market risk premium, beta factor and capital structure are based on market data, adequate for the industry in which Eurocash operates. A specific risk premium for the Eurocash Group was also assumed. The weighted average cost of capital - WACC of 7.95% (2019: 8.03%) was used as the discount rate.

For the Retail segment, the deviation of the discount rate by +/- 0.25 pp. would reduce / increase the surplus over the tested value by approx. PLN 60-70 million. Increase / decrease of the discount rate by 0.25 pp. as well as decrease / increase of margin by 0.25 pp. it does not lead to impairment of the cash-generating unit to which goodwill is allocated.

Reducing the gross margin in the forecast horizon by 2 % in terms of value in the forecast period, with the remaining parameters of the model unchanged, would result in the equalization of the book value of the assets of the cash-generating unit with the recoverable amount.

Reducing the average growth rate over the period of the detailed forecast by approximately 0.8 pp. would also equal the recoverable amount and the book value.

Impairment tests of trademarks

For intangible assets with indefinite useful lives, the Company performed the following, additional impairment tests due to the wholesale activity:

- impairment test of the "Eurocash" trademark with a value of PLN 179,000,000 as at 31.12.2020,
- impairment test of the "abc" trademark with a value of PLN 110,000,000 as at 31.12.2020.

For the purposes of the test, the recoverable amount of the trademark was determined at the fair value less costs to sell using the royalty method.

The trademark valuation method based on market license fees is based on determining the present value of future economic benefits resulting from trademark rights. This method is based on the assumption that the benefits of owning a trademark are equal to the costs that a given entity would have to incur if it did not hold the trademark but only used it under a license agreement at the rates applicable on the market. The fair value was classified to level 3 of the hierarchy.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

The way to determine the market level of the license fee is to set a forecast for the sale of products marked with the valued trademark and to determine the rate of the license fee for the use of this mark. The royalty rate is determined on the basis of an analysis of trademark lease agreements between unrelated parties within a comparable market segment.

The tests were based on the financial projections for 2021-2025. In order to determine selected parameters of the projection, historical data for 2020 and approved by the Management Board of Eurocash S.A. were used. plans for 2021-2025. To determine the total level of sales, increases in sales of locations existing as at the test date were forecast.

The weighted average cost of capital was adopted as the discount rate - WACC (from 6.35%; in 2019, WACC from 6.35%).

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

For the subsidiary Frisco SA, an analysis of the value of sales and operating results was performed..

NOTE 10. INVESTMENT PROPERTIES

TANGIBLE FIXED ASSETS AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Opening balance	941 407	957 103
Depreciation	(15 696)	(15 696)
Closing balance	925 711	941 407

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 11. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are presented in the following table:

INVESTMENTS IN SUBSIDIARIES IN THE PERIOD FROM 01.01. TO 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Opening balance	1 346 274 936	1 266 115 318
Increase in reporting period:	202 708 424	82 831 511
acquisition of shares of an associate Frisco S.A.	24 769 895	-
purchase of an organized part of the enterprise	-	4 580 807
acquisition of entities	176 938 529	73 155 704
increase of capital in subsidiaries	1 000 000	5 095 000
Decrease in reporting period:	(103 726 951)	(2 671 893)
sale of shares in subsidiaries	(999 000)	(2 671 893)
merger with subsidiary company	(77 727 951)	-
allowances	(25 000 000)	-
Closing balance	1 445 256 408	1 346 274 936

NOTE 12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are presented below:

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2020

Name of entity	Registered office	Percentage in share capital (in%)	Voting rights (in%)
Partnerski Serwis Detaliczny S.A.	ul. Grażyny 15 02-548 Warszawa	50,00%	50,00%

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 2020	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 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Opening balance	42 793 026	40 586 757
Increase in reporting period:	-	2 206 268
acquisition of shares in associates	-	2 206 268
Decrease in reporting period:	(38 202 186)	-
acquisition of 100% of shares in associates	(38 202 186)	-
Closing balance	4 590 840	42 793 026

NOTE 13. OTHER LONG-TERM FINANCIAL ASSETS

Other long-term financial assets are presented below:

OTHER LONG-TERM INVESTMENTS AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Shares in other entities	57 633	-
Other long-term financial assets	-	6 671 728
	57 633	6 671 728

NOTE 14. LONG-TERM RECEIVABLES

Long-term receivables are presented below:

LONG-TERM RECEIVABLES AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Security deposits on rental agreements	2 207 218	2 239 199
Other long-term receivables	2 350 000	4 700 000
	4 557 218	6 939 199

NOTE 15. 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 2020	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 31.12.2020

	as at 31.12.2020	na dzień 31.12.2019
Alcohol licences	6 273 711	-
Commissions	1 658 235	-
Insurance	400 000	550 000
Other	933 392	690 436
	9 265 337	1 240 436

NOTE 16. INVENTORIES

Inventories are presented below:

INVENTORIES AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Merchandise	770 544 592	805 782 255
Materials	215 003	241 982
Total inventories, including:	770 759 595	806 024 237
- nominal value of inventory deposits securing payments of liabilities	178 000 000	178 000 000

ALLOWANCES FOR INVENTORIES IN THE PERIOD FROM 01.01. TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Opening balance	17 755 933	11 120 462
- increase in the allowance during the period *	2 612 838	6 635 471
- write-offs during the period *		-
Closing balance	20 368 770	17 755 933
* net value		

NOTE 17. 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 2020	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 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Trade receivables	1 063 875 784	1 122 074 335
Receivables from clients	656 349 244	674 366 672
Receivables from suppliers	348 616 087	367 129 166
Receivables from franchisees *	16 424 543	20 302 879
Franchise fees	3 263 690	3 519 192
Other trade receivables	87 768 089	95 412 217
Allowance for trade bad debts	(48 545 869)	(38 655 791)
Current tax assets	17 622 945	-
Other receivables	18 208 502	31 852 370
VAT settlements	-	20 775 038
Receivables subject to legal proceedings	66 108 560	63 576 855
Allowance for other bad debts	(64 879 590)	(62 089 732)
Receivables from sales fixed assets	209 160	57 329
Receivables from employees	428 272	333 177
Receivables from insurance	261 070	228 005
Other receivables	16 081 029	8 971 697
Total receivables, including:	1 099 707 232	1 153 926 705
- short-term	1 099 707 232	1 153 926 705

* receivables from franchisees transferred to the financing concern trade receivables from franchisees that were covered by the contracts recourse factoring.

NOTE 18. OTHER SHORT-TERM FINANCIAL ASSETS

Short-term financial assets are presented below:

OTHER SHORT-TERM INVESTMENTS AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Loans granted to a subsidiary	-	31 291 659
Loans granted to a joint venture	-	2 195 852
Other short-term investments	310 285	245 603
	310 285	33 733 114

In 2020, Delikatesy Centrum Sp. z o.o. paid off the group loan.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**NOTE 19.
SHORT-TERM PREPAYMENTS**

Short-term prepayments are presented below:

SHORT-TERM PREPAYMENTS AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Alcohol licences	7 130 953	7 861 826
Renting the commercial properties - compensation	1 287 318	1 511 200
Insurances	2 715 511	3 185 017
Rentals	5 512 840	412 667
Advisory services	-	10 333 939
Commissions	2 967 432	-
Other prepayments	2 925 319	2 928 976
Total short-term prepayments	22 539 374	26 233 625

**NOTE 20.
CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are presented below:

CASH AND CASH EQUIVALENTS AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Cash		
cash at bank	603 956	201 715
cash on hand	210 071	682 746
cash in transit	16 680 826	26 275 521
cash restricted to use	3 106 816	3 650 513
other	8 123	166 083
Total cash	20 609 792	30 976 577

Cash on VAT accounts as at 31.12.2020 amounted to 3.106.816 (as at 31.12.2019 amounted to PLN 3.650.513).

Restrictions on the disposal of cash in VAT accounts do not affect the classification as "cash and cash equivalents".

**NOTE 21.
SHAREHOLDERS' EQUITY**

Share capital

Share capital is presented below:

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SHARE CAPITAL AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Number of shares	139 163 286	139 163 286
Nominal value (PLN / share)	1	1
Share capital	139 163 286	139 163 286

As at 31 December 2020, 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	31.12.2020				31.12.2019			
	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%
Azvalor Asset Management S.G.I.I.C. S.A.	-	-	-	-	11 593 954	8,33%	11 593 954	8,33%

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:

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	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 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
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 2020 and 2019, no ordinary shares were issued in connection with the exercise of share options that were granted to key employees under incentive programs

Capital due to hedging transactions

The capital from the valuation of hedging instruments is related to the applied hedges of the *Interest Rate Swap* and amounted to PLN -21,734,503 as at 31 December 2020 and PLN -5,327,688 as at 31 December 2019, taking into account the deferred income tax effect. The change in the valuation in the reporting period is related to the change in market interest rates and was fully recognized in equity due to the documentation in place establishing the relationship between the hedged item and the hedging instrument and the full effectiveness of the hedge.

Profit disposal

On 25 August 2020, the Ordinary General Meeting of Eurocash S.A., decided not to pay dividend from the profit generated in 2019, but to allocate it entirely to the Company's reserve capital.

NOTE 22. SHARE OPTIONS

Treasury shares options are presented below:

OPTIONS FOR SHARES IN THE PERIOD FROM 01.01. TO 31.12.2020

	Number of options	Weighted average performance prices (PLN/share)
Existing at the beginning of the reporting period	2 800 000	32,51
Redeemed in the reporting period	(2 800 000)	32,51
Existing at the end of the reporting period	-	-
including:		
Exercisable at the end of the period		32,51

The Extraordinary General Meeting of the Company on 20 October 2020 repealed the resolutions of the Ordinary General Meeting of the Company of 25 April 2017 on Incentive and Bonus Programs for Employees. The purpose of adopting the Incentive and Bonus Programs for Employees was to create additional incentive mechanisms for the management and key employees of Eurocash S.A. Group companies. to achieve medium-term strategic goals and create value for shareholders. One of the economic consequences of the Covid-19 pandemic is the decline in share prices on stock exchanges, including the Company's share price on the Warsaw Stock Exchange. Currently, the share price is significantly below the price at which the shares could be acquired by Program Participants and this is not due to the economic situation of the Company or the actions of Participants, who are the best employees

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2020</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

of Eurocash Group. As a consequence, the Programs have lost their bonus and incentive character, further management and maintenance of the Programs generates additional costs for the Company.

The Incentive Program was valued at fair value at the end of each reporting period due to the lack of a defined grant date. Therefore, the cost recognized in previous periods was withdrawn.

The program was terminated and no options were granted.

Therefore, the Company did not recognize the running costs related to the Incentive Programs and will not recognize them in future periods.

.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 23. PROVISIONS AND ACCRUALS

Provisions and accruals are presented below:

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2019 TO 31.12.2020

	Provision for employee benefits	Accrual for costs of transport	Accrual for advertising costs	Accruals for costs of media	Expired items, court cases, potential disputes and receivables canceled	Accrual for rental costs	Other	Total
Provisions and accruals as at 01.01.2019	71 909 288	6 932 781	35 273 609	6 263 471	3 313 816	5 027 969	83 907 128	212 628 062
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)
Provisions and accruals as at 31.12.2019, including:	88 770 079	10 556 831	7 055 124	10 367 049	3 219 578	6 239 488	77 941 792	204 149 940
- short-term	85 030 764	10 556 831	7 055 124	10 367 049	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

Provisions and accruals as at 01.01.2020	88 770 079	10 556 831	7 055 124	10 367 049	3 219 578	6 239 488	77 941 792	204 149 940
Increases*	8 636 258	-	825 425	-	29 157 143	1 472 343	29 704 111	69 795 280
Decreases*	(139 452)	(1 782 521)	-	(707 341)	-	-	-	(2 629 315)
Provisions and accruals as at 31.12.2019, including:	97 266 884	8 774 310	7 880 549	9 659 707	32 376 721	7 711 832	107 645 903	271 315 905
- short-term	92 466 961	8 774 310	7 880 549	9 659 707	32 376 721	7 711 832	107 645 903	266 515 982
- long-term	4 799 923	-	-	-	-	-	-	4 799 923

* net value, excluding employee benefits

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

PROVISIONS AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Employee benefits	4 799 923	3 739 315
Current employee benefits	92 466 961	85 030 764
Accrual for advertising costs	7 880 549	7 055 124
Accruals for intrests	10 462 534	12 184 237
Accrual for costs of media	9 659 707	10 367 048
Accrual for advisory and audit	7 561 349	1 588 379
Accrual for costs of transport	8 774 310	10 556 831
Accrual for rental costs	7 711 832	6 239 488
Alcohol licensing	2 528 459	3 315 380
Accrual for IT modernization	1 382 929	1 115 765
Accrual for bonus	6 877 418	11 592 207
Expired items, court cases, potential disputes and receivables canceled	32 376 721	3 219 578
Other provisions and accruals	78 833 215	48 145 824
	271 315 905	204 149 939
- long-term	4 799 923	3 739 315
- short-term	266 515 982	200 410 624

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 5.214.398 (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 1.3%, 2,7% wage increase. The amount of 4.799.923 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 2020.

Provision for interest

The provision applies to estimated costs associated with outstanding liabilities past due as at 31 December 2020.

The provision is expected to be realized within 12 months after 31 December 2020.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 24. TRADE AND OTHER PAYABLES

Trade and other payables are presented below:

TRADE AND OTHER PAYABLES AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Trade liabilities	2 622 500 368	2 870 981 863
Payables due to purchase of goods	2 495 993 972	2 763 580 182
Payables due to services received	124 404 254	98 833 201
Payables due to reversal of remuneration	2 102 142	8 568 480
Current tax liabilities	-	10 971 367
Other payables	65 772 166	50 209 004
VAT settlements	7 275 563	-
Liabilities due to purchases of assets	17 585 670	13 295 517
Liabilities due to social securities	27 774 128	28 117 548
Liabilities due to taxes and insurances	7 071 942	6 330 377
Liabilities due to deposits	432 070	1 320 500
Other payables	5 632 793	1 145 063
Total liabilities, including:	2 688 272 534	2 932 162 234
- long-term	432 070	1 320 500
- short-term	2 622 500 368	2 930 841 734

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 2020, the value of balances covered by the vendor financing program in the amount of PLN 1,119,586,687 was included, while as at 31 December 2019, the respective balance amounted to PLN 1.274.689.086.

NOTE 25. LOANS AND BORROWINGS

As at 31 December 2020, the Company has credit lines in the total amount of PLN 1,121.75 million provided by 9 banks (part of the syndicate). Additionally, the Company used loans taken out within the Group in the amount of PLN 586.7 million under a cash pooling agreement and loans received from a related party in the amount of PLN 0.9 million. These limits were used as at the balance sheet date in the amount of PLN 619.3 million. Detailed information on credits and loans is presented in the table below.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2020</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

LOANS AND BORROWINGS AS AT 31.12.2020

	Credit destination	Liability amount	Interest rate
Group Entities	Loans as part of the Group under a cash pooling agreement	586 660 494	WIBOR + bank's margin
Bank 1	Loan for financing current activity	250 000 000	WIBOR + bank's margin
Bank 2	Loan for financing current activity	222 750 000	WIBOR + bank's margin
Bank 3	Loan for financing current activity	75 000 000	WIBOR + bank's margin
Bank 4	Loan for financing current activity	27 514 302	WIBOR + bank's margin
Bank 5	Loan for financing current activity	34 953 271	WIBOR + bank's margin
Bank 6	Loan for financing current activity	8 680 723	WIBOR + bank's margin
Bank 7	Loan for financing current activity	412 926	WIBOR + bank's margin
Company 1	Loan from the subsidiary	908 982	WIBOR + bank's margin
Total loans and credits		1 206 880 698	
- long-term		464 685 000	
- short-term		742 195 698	

Total loan costs in 2020 amounted to PLN 25,117,985.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

LOANS AND BORROWINGS AS AT 31.12.2019

	Credit destination	Liability amount	Interest rate
Group Entities	Loans as part of the Group under a cash pooling agreement	856 324 911	WIBOR + bank's margin
Bank 2	Loan for financing current activity	400 000 000	WIBOR + bank's margin
Bank 3	Loan for financing current activity	70 398 299	WIBOR + bank's margin
Bank 4	Loan for financing current activity	8 452 087	WIBOR + bank's margin
Bank 5	Loan for financing current activity	4 912 029	WIBOR + bank's margin
Bank 6	Loan for financing current activity	3 433 470	WIBOR + bank's margin
Bank 7	Loan for financing current activity	43 919 199	WIBOR + bank's margin
Total loans and credits		1 387 439 995	

- short-term 1 387 439 995

Total loan costs in 2019 amounted to PLN 27,562,329.

The Going Concern section describes the most important changes in the financing method that took place in 2020.

An important element of intra-group financing are two liquidity management programs ("Cash pool"), the purpose of which is to effectively manage common financial liquidity within a group of accounts. Both systems are based on a balance reset mechanism, which consists in transferring, at the end of the working day, positive and negative balances from individual current accounts to the main account of the program leader (Eurocash S.A.) per balance. This operation is reversed at the beginning of each working day. Interest on the balance on the program leader's main account is calculated on the last day of each calendar month.

On 2 February 2009 companies from the Eurocash Group signed a liquidity management agreement in the form of daily loans with Bank ING Bank Śląski S.A.

Each of the Group's companies has a separate current account. Eurocash S.A. plays a managerial role in the structure, i.e. keeps two accounts:

- main account - within a group of accounts;
- main liquidity account - except for the group of accounts, which reflects the consolidated balance of all accounts.

On 14 October 2016, companies from the Eurocash Group signed an additional agreement for operating a cash management system for a group of accounts with Santander Bank Polska S.A.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Each of the Group's companies has a separate current account. Eurocash S.A. plays a management role in the structure, i.e. keeps three accounts: an account for current settlements, as well as an auxiliary account and a pool leader's account used for purposes related to the functioning of the system.

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 Pt 1.7 Going concern.

NOTE 26.

OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented below:

FINANCIAL LIABILITIES AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Liabilities arising from the issue of bonds	125 000 000	-
Liabilities related to financing of franchisees*	16 424 543	20 303 719
Liabilities due to security instruments	21 098 152	842 825
	162 522 695	21 146 544
- long-term	130 683 208	38 415
- short-term	31 839 487	21 108 129

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

Details in Going Concern in pt. 1.7

The basic conditions of this issue are presented in the table below:

Date of issue	23 December 2020
Maturity date	23 December 2025
Unit nominal value of bonds	1.000 PLN
Number of issued bonds	125.000
Value of the issue	125.000.000
Bond interest rate	WIBOR 6M + 2,25% margin
Interest payment period	semi-annual
Method of offering bonds	Public offer addressed to professional clients
Quotation market	ASO GPW

The fair value of the bonds as at 31 December 2020 is PLN 122 370 225.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2020</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

**NOTE 27.
LEASE LIABILITIES**

LEASE AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2020	as at 31.12.2019	as at 31.12.2019
	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	173 764 036	171 270 476	179 111 416	148 262 586
Between one and five years	540 939 342	495 044 803	518 562 806	439 839 695
More than five years	368 810 755	265 080 420	412 994 180	359 368 096
Total future minimum lease payments due to lease agreements	1 083 514 133	931 395 699	1 110 668 402	947 470 377
Finance costs	152 118 434	X	163 198 026	X
Present value of minimum lease payments due to finance lease agreements	931 395 699	931 395 699	947 470 377	947 470 377

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 28. INCOME TAX

Income tax for the reporting period is presented below:

INCOME TAX FOR THE PERIOD FROM 01.01. TO 31.12.2020 (main components)

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
<i>Profit and loss account</i>		
Current income tax	(43 535 160)	(13 985 291)
Deferred income tax	10 737 006	(19 280 288)
Total income tax	(32 798 155)	(33 265 578)

TAX RECONCILIATION FOR THE PERIOD FROM 01.01. TO 31.12.2020 (main components)

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Profit before tax	161 733 187	207 878 034
Income tax calculated base on 19% income tax rate	(30 729 306)	(39 496 826)
Other permanent tax differences	(17 585 518)	(9 145 986)
Tax costs not being balance costs	190	1 135 677
The tax impact of dividends received from Group companies	6 973 695	14 235 764
Balance income not being tax income	8 261 109	(6 391)
Tax income not being the balance income	-	(152 000)
Other differences	281 675	164 184
Income tax in the profit and loss account	(32 798 154)	(33 265 578)
Effective tax rate	20,28%	16,00%

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 2020	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 10 March 2021, the above-mentioned controls were not completed.

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

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.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2020</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

Eurocash S.A. stopped execution of such transactions concerning intra-Community delivery of goods and as security he posted a deposit of PLN 95,746,906 for possible arrears.

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

On 6 April 2020, the prosecutor of the Regional Prosecutor's Office in Poznań, in the case of RP II Ds. 4.2016, issued pursuant to art. 24 § 1 of the Fiscal Penal Code, the decision to bring Eurocash S.A. to liability for the risk of a fine for the former employee of the Company and the obligation to return property benefits. Following this decision, the prosecutor, on the same day, issued a decision securing Eurocash's property for the enforcement of a potential judgment against the former employee. The security was made by seizing the amount of PLN 65,889,015, which had previously been paid by the Company on August 24, 2017 to the bank account of the Head of the First Wielkopolska Tax Office in Poznań. As a result of a complaint submitted by the Company on July 22, 2020, the District Court in Poznań revoked the decision on the security. Thus, the security collapsed.

The Company entered the amount of PLN 43.479.521 against the Company's current tax liabilities, from the pool of the previously paid security for the payment of any VAT liability (the current security for any arrears is PLN 52,267,381).

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 29. DEFERRED TAX

Deferred tax is presented below:

DEFERRED TAX IN THE PERIOD FROM 01.01. TO 31.12.2020

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at 31.12.2020	as at 31.12.2019	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
<i>Deferred tax liabilities</i>						
- difference between tax and carrying amount of fixed assets	62 680 676	54 520 009	8 160 667	(54 460 551)	-	-
- future revenues	39 106 656	39 294 147	(187 491)	1 970 085	-	-
- revenues from accrued interests	1 212 563	1 286 964	(74 401)	(53 008)	-	-
- other	329 665	372 203	(42 537)	(46 328)	-	-
Gross deferred tax liability	103 329 559	95 473 322	7 856 238	(52 589 802)	-	-

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2020</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

DEFERRED TAX IN THE PERIOD FROM 01.01 TO 31.12.2020 (continued)

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at 31.12.2020	as at 31.12.2019	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
<i>Deferred tax liabilities</i>						
- bonuses	1 961 461	(815 140)	(2 776 601)	4 436 960		-
- allowance of inventories	3 870 066	3 373 627	(496 439)	(1 260 740)		-
- allowance for bad debts	20 046 104	15 210 284	(4 835 820)	(155 931)		-
- current tax loss	-	-	-	6 745 916		-
- accruals	9 479 509	9 153 265	(326 244)	(2 272 222)		-
- holiday accrual	-	-	-	2 994 348		-
- accrual for employees' bonuses	-	-	-	3 203 416		-
- unpaid payroll and social securities	2 885 488	2 881 330	(4 158)	(735 046)		-
- retirement provision	-	-	-	683 279		-
- accruals	18 918 126	16 171 660	(2 746 466)	(4 765 922)		-
- hedging instruments	4 688 960	840 448	-	-	3 848 512	542 026
- PCC due to the acquisition	465 931	167 426	(298 504)	(167 426)		-
- expenditures due to acquisition of Partner, DC2, DC3 and DC4	141 543	141 543	-	(141 543)		-
- correction of costs for unpaid liabilities	5 105 670	3 721 492	(1 384 178)	(3 721 492)		-
- other differences	16 538 598	18 316 585	1 777 987	10 628 777		-
- difference between right of use and lease liabilities	9 811 645	2 308 824	(7 502 820)	(2 308 824)	-	-
- deferred tax assets	93 913 101	71 471 346	(18 593 243)	6 282 507	3 848 512	542 026
Allowance of deferred tax assets					-	-
- deferred tax assets	93 913 101	71 471 346	(18 593 243)	6 282 507	3 848 512	542 026
Deferred income tax effect			(10 737 006)	(46 307 295)	3 848 512	542 026
Efekt zmiany podatku odroczonego w korespondencji z kapitałem				65 587 583	-	-
Net deferred tax liability	9 416 458	24 001 976	X	X	X	X
Net deferred tax asset	-	-	X	X	X	X

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

**NOTE 30.
SALES IN THE REPORTING PERIOD**

Sales revenues are presented below:

SALE IN THE PERIOD FROM 01.01. TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Sale of goods	16 056 012 702	15 125 915 389
Sale of services	53 112 999	73 671 358
Total sale	16 109 125 701	15 199 586 747

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 31.
COSTS BY TYPE**

Costs by type are presented below:

COSTS BY TYPE IN THE PERIOD FROM 01.01. TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Depreciation	282 844 788	284 373 043
Materials and energy	90 103 127	102 309 815
External services	426 741 104	403 775 095
Taxes and charges	33 284 970	33 223 933
Payroll	653 917 759	643 181 812
Social security and other benefits	119 978 513	116 026 494
Other costs	25 635 757	34 495 982
Costs by type	1 632 506 018	1 617 386 175
including:		
Selling expenses	1 369 944 183	1 336 791 130
General and administrative expenses	262 561 835	280 595 044

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 32.

OTHER OPERATING INCOMES AND EXPENSES

Other operating incomes and expenses are presented below:

OTHER OPERATING INCOME AND EXPENSES THE PERIOD FROM 01.01. TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Other operating income	70 971 941	56 036 225
Penalties for suppliers	5 450 272	10 390 055
Other sales	6 745 571	5 738 814
Sub-lease of premises	3 460 353	4 840 588
Revenues from transport services	313 820	307 550
Compensation received	422 827	776 882
Bonus due to trade agreement	-	22 741 012
Early leasing termination	-	82 965
Profit on disposal of tangible fixed assets	2 050 386	753 036
Release of bad debts	-	7 463 387
Settlement of vat deposit	43 479 521	-
Other (irrelevant individually)	9 049 192	2 941 935
Other operating costs	(74 046 476)	(23 784 790)
Advisory services	(5 000 000)	-
Allowance for receivables	(7 274 283)	-
Commission from payment cards	(5 600 913)	(3 745 908)
Expired items, court cases, potential disputes and receivables canceled	(35 733 839)	(3 739 592)
Paid penalties	(794 423)	(2 233 545)
Donations	(2 387 243)	(1 257 039)
Early leasing termination	(249 681)	-
Costs of damages	(1 201 983)	(1 884 569)
Other (irrelevant individually)	(15 804 111)	(10 924 136)
Other net operating income / expenses	(3 074 534)	32 251 435

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 33. FINANCE INCOMES AND COSTS

Finance incomes and costs are presented below:

FINANCIAL REVENUES AND COSTS IN THE PERIOD FROM 01.01. TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Financial income	63 470 997	103 975 252
Dividends	36 703 659	74 925 076
Revenues from discounts	8 983 005	8 871 725
Interest	3 941 226	5 247 839
Foreing exchange gains of lease agreements (IFRS 16)	-	3 034 665
Other financial income (irrelevant individually)	13 843 108	11 895 947
Financial expenses	(154 795 646)	(112 729 724)
Interest	(55 434 891)	(71 336 216)
Interest of lease agreements (IFRS 16)	(33 782 199)	(32 765 609)
Impairment of shares in the Group	(25 000 000)	-
Commissions and bank charges	(5 252 790)	(3 733 904)
Foreing exchange losses	(1 172 990)	-
Foreing exchange losses of lease agreements (IFRS 16)	(25 546 618)	-
Other financial expenses (irrelevant individually)	(8 606 157)	(4 893 995)
Net financial income / costs	(91 324 648)	(8 754 471)

In the case of an indirect subsidiary, Kontigo Sp. z o.o., the analysis based on the business development plan, including the online sale of cosmetics, showed an impairment of PLN 25 million.

NOTE 34. EARNINGS (LOSS) PER SHARE

Earnings per share are presented below:

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

EARNINGS/ (LOSS) PER SHARE FOR THE PERIOD FROM 01.01. TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
<i>Earnings</i>		
Profit/ (loss) for the period attributable to the Parent's shareholders	128 935 033	174 612 455
<i>Number of issued shares</i>		
Weighted average number of shares	139 163 286	139 163 286
Dilution effect of potential number of shares:		
Convertible bonds	-	-
Weighted average number of shares (to calculate diluted earnings per share)	139 163 286	139 163 286
Earnings (loss) per share		
- basic	0,93	1,25
- diluted	0,93	1,25

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 22.

In 2020, due to the resignation from the option program, there are no diluting factors

NOTE 35. BOOK VALUE PER SHARE

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2020</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

BOOK VALUE PER SHARE

	as at 31.12.2020	as at 31.12.2019
Book value	1 218 946 940	1 084 097 183
Number of shares	139 163 286	139 163 286
Diluted number of shares	139 163 286	142 069 536
Book value per share	8,76	7,79
Diluted book value per share	8,76	7,63

Book value per share is a position not defined in International Financial Reporting Standards.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 36. TRANSACTIONS WITH SUBSIDIARIES

No significant non-arm's length transactions with subsidiaries were closed in 2020.

No allowances for receivables from related parties were recognized in 2020 by the Company.

Trade receivables	31.12.2020	31.12.2019
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	138 282 197	151 832 521
Firma Rogala Sp. z o.o.	37 851 345	24 091 415
Duży Ben Sp. z o.o.	22 015 805	9 879 724
Eurocash Serwis Sp. z o.o.	21 359 970	20 842 888
FHC-2 Sp. z o.o.	13 843 195	12 410 130
Eurocash Trade 1 Sp. z o.o.	4 809 607	5 791 728
Eurocash Franczyza Sp. z o.o.	2 304 430	4 425 991
Podlaskie Delikatesy Centrum Sp. z o.o.	2 063 050	1 304 768
Frisco S.A.	1 665 718	-
Madas Sp. z o.o.	1 277 714	1 051 851
Innowacyjna Platforma Handlu Sp. z o.o. (previously Delikatesy Centrum Podlasie Sp. z o.o.)	1 092 483	5 001
Lewiatan Holding S.A.	1 020 276	1 502 247
Cerville Investments Sp. z o.o.	870 964	1 329 936
Groszek Sp. z o.o.	749 849	1 540 300
Kontigo Sp. z o.o.	642 084	802 470
Lewiatan Śląsk Sp. z o.o.	561 550	105 857
Lewiatan Kujawy Sp. z o.o.	507 501	113 455
ABC na kołach Sp. z o.o.	485 730	1 572 734
Polska Dystrybucja Alkoholi Sp. z o.o.	406 018	216 788
Lewiatan Wielkopolska Sp. z o.o.	339 257	133 349
Lewiatan Północ Sp. z o.o.	304 895	102 562
Ambra Sp. z o.o.	266 848	269 679
Inmedio Sp. z o.o.	255 850	325 798
Lewiatan Podlasie Sp. z o.o.	221 349	64 637
Lewiatan Opole Sp. z o.o.	208 546	88 212
Euro Sklep S.A.	200 572	194 231
Lewiatan Zachód Sp. z o.o.	152 034	60 735
Lewiatan Podkarpacie Sp. z o.o.	142 614	30 998
Lewiatan Orbita Sp. z o.o.	133 391	71 743
Detal Finanse Sp. z o.o.	103 610	68 206
Akademia Umiejętności Eurocash Sp. z o.o.	92 463	164 138
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	30 029	142 809
4vapers Sp. z o.o.	7 681	4 606
Premium Distributors Sp. z o.o.	3 771	13 171
Eurocash VC3 Sp. z o.o.	984	984
EKO Holding S.A. w likwidacji	547	83 282
ABC Sp. z o.o.	492	-
Eurocash Trade 2 Sp. z o.o.	178	-
Delikatesy Centrum Sklepy Sp. z o.o.	-	3 252 213
DEF Sp. z o.o.	-	283 568
Partner Sp. z o.o.	-	46 375
Sushi 2 Go Sp. z o.o.	-	44 010
Eurocash Convenience Sp. z o.o.	-	40 881
Total	254 274 597	244 305 994

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Other receivables	31.12.2020	31.12.2019
Eurocash Franczyza Sp. z o.o.	2 022 520	1 771 838
Lewiatan Holding S.A.	1 261 758	388 262
Eurocash Serwis Sp. z o.o.	1 180 229	586 006
Innowacyjna Platforma Handlu Sp. z o.o. (previously Delikatesy Centrum Podlasie Sp. z o.o.)	155 841	-
Euro Sklep S.A.	123 616	23 484
Groszek Sp. z o.o.	120 644	23 480
Lewiatan Śląsk Sp. z o.o.	107 253	16 167
Kontigo Sp. z o.o.	59 086	53 808
Lewiatan Kujawy Sp. z o.o.	48 985	12 126
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	46 759	4 932
Lewiatan Zachód Sp. z o.o.	25 129	858
Lewiatan Opole Sp. z o.o.	24 000	42 071
Lewiatan Podlasie Sp. z o.o.	21 508	14 391
Lewiatan Północ Sp. z o.o.	20 596	24 095
EKO Holding S.A.	19 166	-
Duży Ben Sp. z o.o.	19 042	552 916
Lewiatan Orbita Sp. z o.o.	16 584	7 819
Lewiatan Wielkopolska Sp. z o.o.	7 696	8 978
ABC na kołach Sp. z o.o.	6 840	3 334
Frisco S.A.	5 916	-
Eurocash Trade 1 Sp. z o.o.	2 879	2 583
Ambra Sp. z o.o.	1 478	6 467
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	1 305	1 305
Detal Finanse Sp. z o.o.	872	-
Lewiatan Podkarpacie Sp. z o.o.	403	6 314
ABC Sp. z o.o.	246	2 460
Cerville Investments Sp. z o.o.	183	-
Akademia Umiejętności Eurocash Sp. z o.o.	175	68
Podlaskie Delikatesy Centrum Sp. z o.o.	85	-
DEF Sp. z o.o.	-	7 171
Premium Distributors Sp. z o.o.	-	2 780
Total	5 300 798	3 563 715

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Trade payables	31.12.2020	31.12.2019
Lewiatan Holding S.A.	35 615 081	31 010 551
Eurocash Franczyza Sp. z o.o.	8 573 377	8 011 847
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	8 120 110	544 280
Eurocash Serwis Sp. z o.o.	7 465 118	4 697 982
Cerville Investments Sp. z o.o.	4 765 176	679 390
Firma Rogala Sp. z o.o.	3 655 178	928 782
Euro Sklep S.A.	2 192 398	1 869 275
Lewiatan Śląsk Sp. z o.o.	1 520 577	1 311 960
Lewiatan Kujawy Sp. z o.o.	1 225 345	1 144 619
FHC-2 Sp. z o.o.	1 083 554	269 345
Groszek Sp. z o.o.	1 031 693	4 255 672
Lewiatan Opole Sp. z o.o.	905 247	670 535
Lewiatan Wielkopolska Sp. z o.o.	860 367	747 017
Lewiatan Północ Sp. z o.o.	671 436	606 111
Lewiatan Podlasie Sp. z o.o.	636 026	735 103
Lewiatan Orbita Sp. z o.o.	508 294	424 424
Lewiatan Zachód Sp. z o.o.	501 127	413 126
Lewiatan Podkarpacie Sp. z o.o.	328 883	239 971
Akademia Umiejętności Eurocash Sp. z o.o.	308 047	85 096
Podlaskie Delikatesy Centrum Sp. z o.o.	177 620	132 527
Madas Sp. z o.o.	111 956	28 799
Innowacyjna Platforma Handlu Sp. z o.o. (previously Delikatesy Centrum Podlasie Sp. z o.o.)	45 931	-
Polska Dystrybucja Alkoholi Sp. z o.o.	41 277	122 628
Partner Sp. z o.o.	68 457	-
Kontigo Sp. z o.o.	33 289	-
Frisco S.A.	22 099	-
Duży Ben Sp. z o.o.	2 462	-
Premium Distributors Sp. z o.o.	622	109 046
DEF Sp. z o.o.	-	294 598
Delikatesy Centrum Sklepy Sp. z o.o.	-	85 743
Detal Finanse Sp. z o.o.	-	49 597
EKO Holding S.A. w likwidacji	-	149 867
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	-	34 840
Sushi 2 Go Sp. z o.o.	-	7 508
Total	80 470 750	59 660 238

Receivables from loans granted	31.12.2020	31.12.2019
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	-	30 789 712
Delikatesy Centrum Podlasie Sp. z o.o.	-	501 947
Total	-	31 291 659

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Other payables	31.12.2020	31.12.2019
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	2 418 971	535 597
Eurocash Franczyza Sp. z o.o.	1 666 216	688 781
Eurocash Trade 1 Sp. z o.o.	1 558 725	1 558 725
Eurocash Serwis Sp. z o.o.	740 031	440 148
Firma Rogala Sp. z o.o.	218 422	205 175
FHC-2 Sp. z o.o.	103 724	152 698
Premium Distributors Sp. z o.o.	87 509	16 547
Ambra Sp. z o.o.	35 167	-
Lewiatan Zachód Sp. z o.o.	31 003	47 023
Podlaskie Delikatesy Centrum Sp. z o.o.	28 734	1 807
Lewiatan Wielkopolska Sp. z o.o.	18 445	18 744
Madas Sp. z o.o.	8 242	9 320
Polska Dystrybucja Alkoholi Sp. z o.o.	7 425	115 980
Lewiatan Śląsk Sp. z o.o.	5 200	4 697
Lewiatan Północ Sp. z o.o.	745	15 894
Lewiatan Orbita Sp. z o.o.	129	129
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	61	-
EKO Holding S.A. w likwidacji	-	61 686
Lewiatan Kujawy Sp. z o.o.	-	19 950
Delikatesy Centrum Sklepy Sp. z o.o.	-	5 328
Lewiatan Podkarpacie Sp. z o.o.	-	4 689
Lewiatan Podlasie Sp. z o.o.	-	2 296
Lewiatan Opole Sp. z o.o.	-	584
Total	6 928 749	3 905 797

Payables from loans granted	31.12.2020	31.12.2019
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	908 982	-
Total	908 982	-

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Sales of goods	01.01-31.12.2020	01.01-31.12.2019
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	1 676 692 640	700 742 389
Firma Rogala Sp. z o.o.	363 613 294	287 771 385
Eurocash Serwis Sp. z o.o.	280 090 075	288 936 280
FHC-2 Sp. z o.o.	153 009 807	151 910 093
Duży Ben Sp. z o.o.	87 199 108	38 651 017
Partner Sp. z o.o.	40 263 867	19 149 249
Podlaskie Delikatesy Centrum Sp. z o.o.	21 289 347	5 486 428
ABC na kołach Sp. z o.o.	16 824 027	7 286 398
Madas Sp. z o.o.	15 172 170	15 758 558
Frisco S.A.	10 431 243	-
Polska Dystrybucja Alkoholi Sp. z o.o.	1 638 169	1 397 921
Inmedio Sp. z o.o.	1 358 725	1 378 136
Eurocash Franczyza Sp. z o.o.	403 701	378 900
Ambra Sp. z o.o.	312 572	237 704
Kontigo Sp. z o.o.	237 308	294 506
Lewiatan Śląsk Sp. z o.o.	66 967	7 068
Lewiatan Północ Sp. z o.o.	37 969	3 207
Lewiatan Opole Sp. z o.o.	35 569	14 737
Cerville Investments Sp. z o.o.	35 486	127 216
Euro Sklep S.A.	32 994	67 985
Lewiatan Orbita Sp. z o.o.	20 035	12 476
Lewiatan Podlasie Sp. z o.o.	9 852	9 062
Lewiatan Wielkopolska Sp. z o.o.	8 458	1 815
Lewiatan Zachód Sp. z o.o.	5 749	3 020
Lewiatan Kujawy Sp. z o.o.	3 581	4 441
Lewiatan Podkarpacie Sp. z o.o.	2 844	561
Lewiatan Holding S.A.	1 755	2 750
Delikatesy Centrum Sklepy Sp. z o.o.	-	14 062 661
MILA S.A.	-	9 954 864
Eurocash Detal Sp. z o.o.	-	5 780 230
JIM Sp. z o.o.	-	4 328 724
DEF Sp. z o.o.	-	1 169 891
Akademia Umiejętności Eurocash Sp. z o.o.	-	19 261
EKO Holding S.A. w likwidacji	-	10 171
Detal Finanse Sp. z o.o.	-	7 517
Groszek Sp. z o.o.	-	6 799
4vapers Sp. z o.o.	-	1 534
Eurocash Convenience Sp. z o.o.	-	394
Sushi 2 Go Sp. z o.o.	-	141
Total	2 668 797 313	1 554 975 486

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Sales of services	01.01-31.12.2020	01.01-31.12.2019
Eurocash Franczyza Sp. z o.o.	14 481 820	35 287 842
Lewiatan Holding S.A.	9 560 821	9 423 082
Eurocash Serwis Sp. z o.o.	9 430 818	8 389 406
Innowacyjna Platforma Handlu Sp. z o.o. (previously Delikatesy Centrum Podlasie Sp. z o.o.)	2 860 146	-
Groszek Sp. z o.o.	2 639 054	1 809 224
Duży Ben Sp. z o.o.	2 175 942	2 260 010
Lewiatan Śląsk Sp. z o.o.	1 359 576	751 849
Lewiatan Kujawy Sp. z o.o.	1 338 761	786 912
Lewiatan Północ Sp. z o.o.	957 817	583 754
Ambra Sp. z o.o.	884 816	104 543
Lewiatan Podlasie Sp. z o.o.	861 799	632 932
Euro Sklep S.A.	825 174	378 162
Lewiatan Opole Sp. z o.o.	818 724	526 926
Kontigo Sp. z o.o.	798 407	816 157
Lewiatan Wielkopolska Sp. z o.o.	762 189	583 278
Cerville Investments Sp. z o.o.	701 982	81 490
Detal Finanse Sp. z o.o.	562 408	145 655
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	518 142	9 141
Lewiatan Zachód Sp. z o.o.	510 807	261 884
Lewiatan Orbita Sp. z o.o.	504 201	253 800
Lewiatan Podkarpacie Sp. z o.o.	318 967	130 358
ABC na kołach Sp. z o.o.	296 791	279 358
Akademia Umiejętności Eurocash Sp. z o.o.	274 270	258 829
Polska Dystrybucja Alkoholi Sp. z o.o.	169 914	265 159
Frisco S.A.	112 500	-
EKO Holding S.A. w likwidacji	103 625	520 748
4vapers Sp. z o.o.	94 804	30 689
FHC-2 Sp. z o.o.	93 728	113 592
Firma Rogala Sp. z o.o.	54 000	54 000
Inmedio Sp. z o.o.	46 623	43 925
Premium Distributors Sp. z o.o.	31 987	31 987
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	18 394	18 394
Eurocash VC3 Sp. z o.o.	9 600	9 600
ABC Sp. z o.o.	2 400	2 000
Eurocash Trade 1 Sp. z o.o.	1 740	1 740
Eurocash Trade 2 Sp. z o.o.	1 740	1 740
MILA S.A.	-	986 101
DEF Sp. z o.o.	-	400 676
Sushi 2 Go Sp. z o.o.	-	96 422
Delikatesy Centrum Sklepy Sp. z o.o.	-	8 686
Eurocash Detal Sp. z o.o.	-	8 686
Podlaskie Delikatesy Centrum Sp. z o.o.	-	436
Total	54 184 488	66 349 174

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Interest revenues	01.01-31.12.2020	01.01-31.12.2019
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	303 891	412 217
Eurocash Trade 1 Sp. z o.o.	155 450	257 032
Eurocash Franczyza Sp. z o.o.	25 971	-
Kontigo Sp. z o.o.	22 963	5 637
Frisco S.A.	18 045	-
ABC na kołach Sp. z o.o.	1 982	-
Firma Rogala Sp. z o.o.	1 849	-
Innowacyjna Platforma Handlu Sp. z o.o. (previously Delikatesy Centrum Podlasie Sp. z o.o.)	862	6 948
Eurocash Nieruchomości Sp. z o.o.	503	-
Detal Finanse Sp. z o.o.	84	513
MILA S.A.	-	858 091
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	-	288 796
Groszek Sp. z o.o.	-	2 847
Sushi 2 Go Sp. z o.o.	-	522
Duży Ben Sp. z o.o.	-	139
Eurocash Detal Sp. z o.o.	-	125
Total	531 600	1 832 866

Dividends	01.01-31.12.2020	01.01-31.12.2019
Eurocash Franczyza Sp. z o.o.	29 290 005	70 000 000
Firma Rogala Sp. z o.o.	3 323 004	3 162 871
FHC-2 Sp. z o.o.	3 615 771	1 053 927
Madas Sp. z o.o.	239 958	-
Total	36 468 738	74 216 798

Other income	01.01-31.12.2020	01.01-31.12.2019
Eurocash Serwis Sp. z o.o.	1 999 532	250 844
Frisco S.A.	223 923	-
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	44 142	4 932
EKO Holding S.A.	19 166	-
Kontigo Sp. z o.o.	5 474	-
Eurocash Franczyza Sp. z o.o.	2 128	540 051
ABC na kołach Sp. z o.o.	1 606	56
Cerville Investments Sp. z o.o.	1 107	-
Lewiatan Śląsk Sp. z o.o.	837	-
Innowacyjna Platforma Handlu Sp. z o.o. (previously Delikatesy Centrum Podlasie Sp. z o.o.)	85	-
Groszek Sp. z o.o.	-	840 797
Total	2 298 000	1 636 680

Costs of goods sold	01.01-31.12.2020	01.01-31.12.2019
Lewiatan Holding S.A.	331 875 547	302 338 458
Eurocash Serwis Sp. z o.o.	118 978 114	109 285 962
Kontigo Sp. z o.o.	266 278	-
DEF Sp. z o.o.	-	215 379
Premium Distributors Sp. z o.o.	-	7 088
Total	451 119 939	411 846 887

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Costs of services	01.01-31.12.2020	01.01-31.12.2019
Delikatesy Centrum Sp. z o.o. (previously LEDI Sp. z o.o.)	99 189 208	31 976 839
Eurocash Franczyza Sp. z o.o.	77 434 581	67 537 093
Eurocash Serwis Sp. z o.o.	34 568 807	36 737 000
Firma Rogala Sp. z o.o.	29 097 303	20 163 890
Kontigo Sp. z o.o.	25 000 000	-
FHC-2 Sp. z o.o.	11 101 135	9 969 036
Euro Sklep S.A.	7 874 756	6 506 747
Lewiatan Śląsk Sp. z o.o.	5 595 816	4 937 559
Lewiatan Kujawy Sp. z o.o.	5 176 059	4 493 144
Groszek Sp. z o.o.	4 822 531	3 912 612
Lewiatan Wielkopolska Sp. z o.o.	3 206 160	2 900 991
Lewiatan Północ Sp. z o.o.	3 169 007	2 690 144
Lewiatan Opole Sp. z o.o.	3 061 712	2 518 096
Duży Ben Sp. z o.o.	2 651 813	851 879
Lewiatan Podlasie Sp. z o.o.	2 598 861	3 202 052
Lewiatan Orbita Sp. z o.o.	2 021 524	1 650 379
Lewiatan Zachód Sp. z o.o.	1 970 586	1 720 667
Podlaskie Delikatesy Centrum Sp. z o.o.	1 477 834	134 702
Lewiatan Holding S.A.	1 157 115	821 677
Madas Sp. z o.o.	1 115 082	1 000 551
Lewiatan Podkarpacie Sp. z o.o.	1 092 725	832 731
Ambra Sp. z o.o.	697 304	21 183
Frisco S.A.	534 138	-
Akademia Umiejętności Eurocash Sp. z o.o.	250 917	291 232
Premium Distributors Sp. z o.o.	87 361	75 313
EKO Holding S.A.	68 502	-
Innowacyjna Platforma Handlu Sp. z o.o. (previously Delikatesy Centrum Podlasie Sp. z o.o.)	45 931	-
Inmedio Sp. z o.o.	13 600	-
Polska Dystrybucja Alkoholi Sp. z o.o.	7 425	115 980
Detal Finanse Sp. z o.o.	4 182	-
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	61	38 321
Delikatesy Centrum Sklepy Sp. z o.o.	-	499 692
MILA S.A.	-	241 782
JIM Sp. z o.o.	-	227 722
DEF Sp. z o.o.	-	179 580
Eurocash Detal Sp. z o.o.	-	159 069
Partner Sp. z o.o.	-	28 123
Total	325 092 033	206 435 784

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 37.

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 2020 to 31 December 2020.

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 31.12.2020

	Basic salary	Other benefits	Management options	Total
<i>Remuneration of the Members of the Management Board</i>				
Luis Amaral	332 000	17 357	-	349 357
Rui Amaral	2 280 000	17 600	-	2 297 600
Arnaldo Guerreiro	900 000	28 943	-	928 943
Pedro Martinho	300 000	29 153	-	329 153
Katarzyna Kopaczewska	900 000	17 357	-	917 357
Jacek Owczarek	960 000	43 777	-	1 003 777
Przemysław Ciaś	720 000	42 438	-	762 438
Nole Colet	960 000	46 958	-	1 006 958
	7 352 000	243 583	-	7 595 583
<i>Remuneration of the Members of the Supervisory Board</i>				
Jorge Mora	225 610		-	225 610
Ewald Raben	181 443		-	181 443
Renato Arie	225 610		-	225 610
Francisco José Valente Hipólito dos Santos	225 610		-	225 610
Hans Joachim Körber	225 610		-	225 610
Przemysław Budkowski	44 167		-	44 167
	1 128 050	-	-	1 128 050

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	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 31.12.2019

	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 Ciaś	675 000	31 501	-	706 501
	5 970 000	670 780	-	6 640 780

<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 Szwajcowski	76 536	-	-	76 536
	1 084 672	-	-	1 084 672

**NOTE 38.
EMPLOYMENT**

The number of employees as at 31.12.2020 is presented below:

NUMBER OF EMPLOYEES AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Number of employees	8 279	8 713
Number of full-time jobs	8 208	8 635

The employment structure as at 31.12.2020 is presented below:

STRUCTURE OF EMPLOYMENT AS AT 31.12.2020

	Wholesale discounts and distribution centres	Head office	Total
Number of employees	6 886	1 393	8 279
Number of full-time jobs	6 822	1 386	8 208

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Employee turnover data as at 31.12.2020 are presented below:

EMPLOYEE TURNOVER IN THE PERIOD FROM 01.01. TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Number of hired employees	1 635	2 960
Number of dismissed employees	(2 069)	(3 019)
	(434)	(59)

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 39.

DATA CONCERNING ITEMS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

CONTINGENCIES AS AT 31.12.2020

No.	Beneficiary	Title	Currency	as at 31.12.2020	as at 31.12.2019
1	Bank 1 **	Surety for the Eurocash Group companies regarding the cash pool agreement in the amount of the credit limit	PLN	2 100 000 000	2 100 000 000
2	Bank 2 **	Surety for the Eurocash Group companies regarding the cash pool agreement in the amount of the credit limit	PLN	2 160 000 000	3 144 480 000
3	Company 4 **	Surety for liabilities of PayUp Polska S.A.	PLN *	-	3 000 000
4	Bank 2 ***	Surety for liabilities resulting from the "Franchise Partners Financing Program" for the Franchisee of Delikatesy Centrum	PLN	714 908	1 808 658
5	Bank 4***	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Lease Agreement	PLN	1 236 613	1 932 201
6	Bank 7 ***	Surety for liabilities due to the lease agreements of Frisco S.A.	PLN	21 081 630	24 114 555
7	Bank 4***	Surety for liabilities of Partnerski Serwis Detaliczny S.A. under the Lease Agreement	PLN	48 804	58 626
8	Bank 5 **	Surety for liabilities of Eurocash Serwis Sp. z o.o., resulting from the Factoring Agreement	PLN	300 000 000	300 000 000
9	Bank 6 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Current Loan Agreement Agreement	PLN	165 000 000	165 000 000
10	Bank 7 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. due to the factoring agreement	PLN	50 000 000	50 000 000
11	Bank 8 **	Surety for loan of Frisco S.A.	PLN	15 000 000	7 318 723
12	Company 6 **	Surety for liabilities of Mila S.A.	PLN	-	2 500 000
13	Company 1 **	Surety for liabilities of Eurocash Serwis Sp. z o.o.	PLN	1 000 000	1 000 000
14	Company 2 **	Surety for liabilities of ABC na Kołach Sp. z o.o.	PLN	200 000	200 000
15	Bank 9 **	Surety for liabilities of Eurocash Group Companies due to the factoring agreement	PLN	300 000 000	300 000 000
16	Company 5 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	53 263 963	20 389 296
17	Bank 8 **	Surety for liabilities of Frisco S.A. due to the factoring agreement	PLN	2 000 000	1 000 000
18	Company 7 **	Surety for trade liabilities of Frisco S.A.	PLN	2 930 000	-
19	Company 2 **	Surety for non-trade liabilities of Frisco S.A.	PLN	400 000	-
20	Company 3 **	Surety for trade liabilities of ABC na kołach Sp. z o.o.	PLN	300 000	-
				5 173 175 918	6 122 802 058

* - Guarantee in EUR is translated into PLNB at the average exchange rate of NBP:
as at 31.12.2019: 1 EUR = 4,2585 PLN,
as at 31.12.2020: 1 EUR = 4,6148 PLN.

** at nominal value

*** at debt value as at balance sheet date

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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

As at 31 December 2020 contingent liabilities of Eurocash S.A. according to the value of debt, they amounted to PLN 991.3 million, while as at 31 December 2019, they amounted to PLN 453 million.

OTHER BANK GUARANTEES AS AT 31.12.2020

No.	Bank guarantee drawer	Title	Currency	as at	as at
				31.12.2020	31.12.2019
1	Bank 1	Security for rent liabilities	PLN	8 497 346	663 689
2	Bank 2	Security for rent liabilities*	PLN*	32 111 064	20 503 630
3	Bank 3	Security for excise duty	PLN	500 000	500 000
4	Bank 4	Security for payment for suppliers	PLN	-	10 000 000
5	Bank 5	Security for payment with the use of national road via Toll	PLN	620 100	620 100
6	Bank 6	Payment security for suppliers *	PLN	4 614 800	10 839 796
7	Bank 7	Payment security for suppliers	PLN	40 400 000	30 500 000
8	Bank 8	Security for rent liabilities*	PLN	-	6 847 771
9	Bank 9	Payment security for suppliers *	PLN	9 229 600	8 517 000
10	Bank 10	Security for rent liabilities	PLN	-	314 445
11	Bank 11	Payment security for suppliers *	PLN	1 153 700	1 064 625
12	Bank 12	Payment security for suppliers	PLN	19 500 000	15 500 000
13	Bank 13	Payment security for suppliers	PLN	8 875 182	-
14	Bank 14	Security for rent liabilities*		2 206 699	-
				127 708 492	105 871 056

* - Guarantee in EUR is translated into PLNB at the average exchange rate of NBP:
as at 31.12.2019: 1 EUR = 4,2585 PLN,
as at 31.12.2020: 1 EUR = 4,6148 PLN.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Other administrative proceedings

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

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

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

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

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

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

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

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 40.

COLLATERALS

SECURITY ON ASSETS AS AT 31.12.2020

Title	Secured property	as at 31.12.2020	as at 31.12.2019
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
Security on the syndicated loan agreement	Deposit on the Eurocash Serwis Sp. z o.o. shares	9 547 300	9 547 300
Security on the syndicated loan agreement	Deposit on the Eurocash Franczyza Sp. z o.o. shares	3 800 000	3 800 000
Security on the syndicated loan agreement	Deposit on the Eurocash Franczyza Sp. z o.o. shares	-	8 000 000
Security of an EBOR credit **	Mortgage on 13 properties	333 750 000	-
Finance lease agreements (at net value of tangible fixed assets on the balance sheet date)	Deposit on fixed assets in financial leasing	562 552	677 424
		525 659 852	200 024 724

** at the nominal value of the security

NOTE 41.

FINANCIAL RISK MANAGEMENT

General information

The activity of the Company is a subject to the following categories of risk related to financial instruments:

- Credit risk
- Liquidity risk
- Market risk

In addition, the Company implements a policy regarding:

- Capital management
- 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.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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.

a. 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.

CREDIT RISK EXPOSURE

	as at 31.12.2020	as at 31.12.2019
Accounts receivable and loans	1 084 434 286	1 178 256 509
Cash and cash equivalents	20 399 722	30 293 832
	1 104 834 008	1 208 550 341

* 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%. 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 the categories distributed, i.e. food, alcohol, tobacco products, gastronomic goods, etc., are mostly made on credit. The share of credit sales in the Company is approximately 64%. Overdue, although an inseparable part of the FMCG business, constitute only 6% of the total balance of receivables resulting from the sale of goods to the Company's customers. The level of losses resulting from the failure to receive payment for trade receivables (including provisions for future losses) increased by the costs of insurance and debt collection is historically at the lowest

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

level and did not exceed 0.04% of the Company's sales value in 2020. In order to assess the quality of the portfolio, the company monitors, inter alia, the level of customer concentration using the Herfindahl-Hirschman Index (HHI), which is consistently low, reaching a value below in 2020. The credit risk management process including credit analysis, setting limits, blocking sales, insurance of receivables, soft debt collection and debt collection has been 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 with an investment grade rating. 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 2020, 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.

The company monitors the amount of overdue receivables on an ongoing basis and files legal claims in justified cases.

The Company 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.

The financial capacity of the Company's recipients in connection with Covid-19 was further analyzed. As a result, the Company decided to create an additional write-off in the amount of PLN 2.83 million.

AGEING OF TRADE RECEIVABLES AND BAD DEBT ALLOWANCES AS AT 31.12.2020

	Trade receivables gross value as at 31.12.2020	Trade receivables gross value as at 31.12.2019
current	974 618 782	974 542 822
1-30 days	67 754 628	111 368 303
31-90 days	34 657 392	19 305 210
91-180 days	6 336 314	8 368 483
> 180 days	29 054 537	47 145 309
	1 112 421 653	1 160 730 127

ALLOWANCE FOR BAD DEBTS AS AT 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Opening balance	38 655 791	39 302 584
Increases*	9 915 039	
Decreases*		(646 792)
Closing balance	48 570 831	38 655 791
*net value		

b. 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.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

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 Company's goal is to maintain a balance between the continuity, flexibility and cost-effectiveness of financing through the use of various sources, such as bank loans (including overdraft facilities), borrowings, bond issues, leasing contracts or reverse factoring. As part of its liquidity management, the Company uses reverse factoring agreements in relation to its liabilities, under which it submits for factoring invoices relating to purchases from selected suppliers. The Company minimizes the liquidity risk resulting from the use of reverse factoring agreements by cooperating with several factors and maintaining sufficient factoring limits, which as at 31 December 2020 amounted to PLN 2,157.0 thousand. PLN (as at 31 December 2019: PLN 2,157.0 thousand).

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 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 2020, the Company has facilities for organizing the issue of long-term bonds up to PLN 1million thanks to the open issue program.

II. working capital

- In order to finance liabilities for suppliers of goods, a trade credit is used (approx. 57% of the balance of trade liabilities) and financial instruments (approx. 43% of the balance of trade liabilities). The Company uses financial instruments facilitating capital management both for the Company and for the suppliers themselves. In particular, the balance of liabilities in reverse factoring contracts as at 31 December 2020 amounted to PLN 1,12 billion. Trade liabilities covered by the reverse factoring agreements do not significantly change the terms of trade liabilities.

- The company also has the option to discount receivables. The company maintains receivables factoring programs and their use as at 31 December 2020 does not exceed PLN 169,2 million.

In 2020, due to changes in the regulations on payment gridlocks (amendment to the Act of 8 March 2013 on Counteracting Excessive Delays in Commercial Transactions, introduced by the Act of 19 July 2019 Amending Certain Acts to Reduce Payment gridlocks (Dz. U. of 2019, item 1649)), corporate income tax and tax on goods and services in the scope of the so-called white list and split payment methods (amendments to the Act of 11 March 2004 on tax on goods and services introduced, inter alia, by the Act of 12 April 2019, amending the Act on tax on goods and services and certain other acts (Journal U. of 2019, item 1018) and the Act of August 9, 2019 amending the Act on tax on goods and services and certain other acts (Journal of Laws of 2019, item 1751) and the amendment to the Act of on February 15, 1992 on corporate income tax, introduced, inter alia, by the Act of 12 April 2019 amending the act on tax on goods and services and certain other acts (Journal of Laws of 2019, item 1018), The Company made changes to contracts with suppliers in terms of payment terms and procedures governing the circulation of accounting documents and payment execution. The effect of these changes is the reduction of the working capital leverage by an amount that does not increase the financial needs of the Company and the Group.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

III. financial debt

Considering the above, as at the date of approval of these separate financial statements, there are no circumstances indicating a threat to the loss of financial liquidity by the Company. The debt of a financial nature consists mainly of:

- Partly resulting from IFRS16 balance sheet liability resulting from the valuation of lease agreements for logistics and commercial space and other tangible property, included in the balance sheet item "lease liabilities" in the amount of PLN 929.9 million. The repayment of these liabilities is usually made to entities which, as a rule, are not financial institutions and are most often made in 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:
 - a credit line in the form of a revolving loan up to PLN 600 million. As at 31.12.2020, the limit was used up to the amount of PLN 250 million. The revolving line is the main financial security of the Company and the Group in the event of unfavorable financial scenarios and the need to implement recovery plans,
 - an investment loan (EBRD) in the amount of PLN 225.75 million. As at 31 December 2020, the limit was fully used,
 - loans to realize the benefits of optimizing cash under cash pool programs. The total limit of these programs granted to the Company (2 programs in two local banks) is PLN 134 million. The utilization as at 31.12.2020 is PLN 62.5 million.
 - credit lines in current accounts. In order to optimize the costs of maintaining bank accounts, the Company and the Group maintains loans in several banks. The sum of the limits, including credit lines secured by BGK guarantee, in these credit lines as at 31.12.2020 PLN 165 million, and their use is PLN 84.1 million.
 - liabilities to repay corporate bonds, the total value of which is included in the balance sheet item "Long-term financial liabilities". The issue program, launched in November 2020, allows for the issue of PLN 1,000,000,000 up to the total amount of all issues. The first issue took place in December 2020. As part of it, the Company issued PLN 125 million for a period of 5 years. The funds from this issue increased the pool of available credit lines, thus significantly reducing the risk of losing liquidity.

The Management Board of the Company considers that the maturity structure of the balance sheet assets and liabilities determines the maturity of the financing instruments. As at 31.12.2020, the Company financed itself with bonds, credits, loans, factoring and leasing. The strategy of matching the maturity of financing sources to the nature of assets allows the Company to remain flexible in the selection of financial instruments and ensures cost effectiveness. Due to maintaining a relatively low financial leverage, the Company has the ability to select financing partners both on the local and foreign market.

Other financial liabilities included in the balance sheet items are "franchisees financing liabilities" and "other financial liabilities" respectively, as well as off-balance sheet items related to contingent liabilities. The main components of these three groups of liabilities are three sets of contracts (some of them are shown in contingent liabilities):

- factoring of Delikatesy Centrum franchisees, where the debt is the amount of the surety granted by the Company to a financial institution. The limit in this contract is PLN 40 million, while the use as at 31.12.2020 is PLN 16.4 million (liability recognized in the statement of financial position)
- for sureties for the same franchisees under their financial agreements for the amount of PLN 0.7 million (included in contingent liabilities)
- for sureties for leasing and loan agreements for Frisco S.A. a total of PLN 34.4 million (included in contingent liabilities).

The following tables present the nominal value by contractual periods of their settlement without taking into account the debt settlement agreements:

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

AS AT 31.12.2020

	Nominal value	< 12 months	1-5 years	over 5 years
Lease liabilities	1 083 514 133	173 764 036	540 939 342	368 810 755
Trade and other payables	2 646 150 901	2 645 718 831	432 070	-
Factoring	16 424 543	16 424 543	-	-
Bank overdrafts	1 206 880 698	742 195 698	464 685 000	-
Issue of financial debt securities	125 000 000	-	125 000 000	-
Other finance liabilities	21 098 152	15 414 944	5 683 208	-
	5 099 068 428	3 593 518 052	1 136 739 620	368 810 755

AS AT 31.12.2019

	Nominal value	< 12 months	1-5 years	over 5 years
Lease liabilities	1 110 668 402	179 111 416	518 562 806	412 994 180
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	-	-
	5 440 369 817	4 507 492 330	519 883 306	412 994 180

AGEING OF TRADE LIABILITIES AS AT 31.12.2020

	Trade liabilities gross value as at 31.12.2020	Trade liabilities gross value as at 31.12.2019
current	2 622 500 368	2 809 068 281
1-30 days	-	52 134 415
31-90 days	-	8 877 851
91-180 days	-	901 316
	2 622 500 368	2 870 981 863

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

c. Market risk

Market risk is associated with changes in demand, supply and prices as well as other factors that will affect the Company'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 Company.

I. Currency risk

The currency risk is not a significant threat to the Company's operations, as the vast majority of its settlements are carried out in the domestic currency, and only a small part concerns either the payment in the currency or the payment indexed to the exchange rates. The company monitors the currency risk and makes decisions on potential collaterals. In order to manage the currency risk, the company allows the use of derivative instruments. The Company's activities in this area are primarily aimed at minimizing the volatility of financial flows, but it is permissible to use hedge accounting so as to minimize the volatility of profits and losses for the current period. The currency risk occurs in two purchasing processes. (1) In commercial activities, a small part of purchases of goods such as wines, spirits, meat or fruit and vegetables are most often made directly in foreign currencies. The

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

company applies the principle of natural hedging due to the full price flexibility of these products. Moreover, the negligible scale of these purchases justifies the omission of these amounts in the risk analyzes. (2) in operating activities, part of the rents for the lease of commercial, logistics and office space is regulated directly in EUR, it is already indexed to it. In this case, the volatility of the EUR / PLN exchange rate affects the level of the Company's costs. The table below presents the value of this exposure in terms of balance sheet (valuation of rental contracts exposed to the risk of exchange rate fluctuations) and in terms of cash flows over the next 12 months

Liabilities as at 31.12.2020 in PLN	929 957 014
Value PLN	
agreements in EUR	328 748 818
agreements in PLN	601 208 196
Agreement currency value	
agreements in EUR	71 237 934
agreements in PLN	601 208 196
Cash flow in the period 01.01.-31.12.2021	
Agreement currency value	
agreements in EUR	12 062 494
agreements in PLN	116 929 840

The table below shows the sensitivity of the above-mentioned exposures to one% changes in the exchange rate. Positive values indicate a positive effect in the income statement, negative values - a negative one.

sensitivity of the currency exposure	PLN
sensitivity of the balance sheet exposure resulting from the valuation of rent agreements as at 31.12.2020	
1% decrease of PLN currency	-3 287 488
1% increase of PLN currency	3 287 488
sensitivity of exposure resulting from financial flows over a period of 12 months from 31.12.2020 under rent agreements	
1% decrease of PLN currency	-556 660
1% increase of PLN currency	556 660

Due to the negligible impact of currency risk on financial flows and the exceptionally long-term nature of currency risk in the balance sheet, the Company did not take any hedging measures in 2020. Both in 2020 and 2019, the Company did not have any open positions in currency derivatives.

II. Interest rate risk

The interest rate risk may result in increased costs of servicing debt based on a variable interest rate in the event of an increase in interest rates and in a decrease in interest income from investments in financial instruments in the event of a decrease in these rates.

The risk of changes in interest rates is related to loans and borrowings, leases, bonds and factoring programs. The table below presents the balance sheet value of the Company's financial instruments exposed to the interest rate risk, broken down by age categories.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

INTEREST RATE RISK

31 December 2020

	< 1 year	2-5 years	> 5 years	Total
Cash and cash equivalents	20 609 792	-	-	20 609 792
The issuance of debt securities	-	(125 000 000)	-	(125 000 000)
Reverse factoring liabilities	(1 119 586 687)	-	-	(1 119 586 687)
Factoring of receivables without recourse	(95 574 051)	-	-	(95 574 051)
Credits and loans	(742 195 698)	(464 685 000)	-	(1 206 880 698)

31 December 2019

	< 1 year	2-5 years	> 5 years	Total
Cash and cash equivalents	30 976 577	-	-	30 976 577
Reverse factoring liabilities	(1 274 689 086)	-	-	(1 274 689 086)
Factoring of receivables without recourse	(112 266 662)	-	-	(112 266 662)
Credits and loans	(1 387 439 995)	-	-	(1 387 439 995)

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 31.12.2020	Present value 31.12.2019
Fixed interest rate instruments		
Financial assets	-	-
Financial liabilities	1 104 612 285	1 111 436 076
Floating interest rate instrument		
Financial assets	20 609 792	30 976 577
Financial liabilities	2 547 041 436	2 774 395 743

The financial instruments presented above do not include interest-free trade receivables and liabilities. The Company applied a consistent approach to recognition of these instruments in both reporting periods.

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. 2019.

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS

	Income statement		Equity	
	increases 100bp	decreases 100bp	increases 100bp	decreases 100bp
31 December 2020	(25 264 316)	25 264 316	-	-
31 December 2019	(27 434 192)	27 434 192	-	-

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).

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 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 2020 and 2019, 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.

d. 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.

e. Determining fair values

As at 31 December 2020, 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.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 42.

OTHER SUBSEQUENT EVENTS

1. COVID-19.

In March 2020, SARS-CoV-2 coronavirus and its disease, referred to as the COVID-19, has started to spread out as a pandemic. Due to this fact, a number of preventive actions were taken to limit the spread in many countries, Poland among them. In the second half of March 2020, bans and restrictions has been introduced, among others, on conducting certain types of businesses. In the middle of the year, due to stabilization of the situation, part of previously recommended bans and restrictions were deleted. As of today, due to the growing number of cases, numerous restrictions and restrictions have been restored (including restrictions on the movement of children and the elderly, covering the mouth and nose in public places, restrictions on the operation of cinemas, theatres, restaurants and shops. The situation is very dynamic (both in Poland and abroad) so, the Eurocash Company constantly monitors the situation and complies with the recommendations of the Chief Sanitary Inspector and other authorities in Poland. The Company's activities to date have focused primarily on introducing recommendations of sanitary services aimed at limiting the spread of COVID-19 and ensuring, to the greatest extent possible, the safety of employees while allowing them uninterrupted work. Subsequently, the Eurocash Company focused on minimizing the effects of the negative impact of COVID-19, primarily in terms of sales. The costs incurred by the Company to date related to the COVID-19 pandemic were mainly in the area of HR and administration. They were associated with temporarily higher salary costs for employees and the purchase of personal protective equipment intended for them.

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

In connection with the COVID-19 pandemic in Poland in 2020, the Company incurred costs related to adapting its operations to the pandemic situation. At the same time, the Company benefited from co-financing resulting from anti-crisis shields introduced by the government. The total impact on the result in 2020 is estimated by the Company at PLN -13.7 million.

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

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

After the settlement of the above mentioned transactions, the funds managed by Azvalor hold 6.766.727 Eurocash shares, which represent a 4.86% stake in the Company's share capital and 4.86% of the total number of votes at the Eurocash S.A. General Meeting.

3. Establishing a bond issue program

On 18.11.2020 between the Issuer and BNP Paribas Bank Polska S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Santander Bank Polska S.A. an agreement was concluded on the basis of which the Issuer established a bond issue program up to the total nominal value of the bonds of PLN 1,000,000,000 (the "Program").

Under the Program, the Issuer will be able to issue bonds in PLN or EUR with maturity not exceeding 10 years. The bonds will bear interest at a fixed or variable interest rate and will, as a rule, be introduced to trading at the Catalyst ASO operated by the Warsaw Stock Exchange. As a rule, the bonds will be offered in the form of a public

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2020</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

offering, with the exception of the obligation to prepare an issue prospectus or information memorandum. Bonds issued under the Program will be offered only to qualified investors within the meaning of Regulation (EU) 2017/1129 of 14 June 2017.

The detailed terms and conditions of the bond issue, including the terms and conditions of redemption as well as the amount and method of interest payment, will be specified by the Issuer separately for each series of bonds.

The first emission took place on 23 December 2020. As part of it, the Company issued PLN 125 million for a period of 5 years. At the same time, the issuer is considering further issues in 2021. Depending on the occurrence of appropriate market conditions, the Issuer will consider the legitimacy of such an issue and determine its final parameters, including the value of the issue, maturity and the expected interest margin.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2020</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

NOTE 43.

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.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2020	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	10 th March 2021	
Management Board Member	Rui Amaral	10 th March 2021	
Management Board Member	Arnaldo Guerreiro	10 th March 2021	
Management Board Member	Pedro Martinho	10 th March 2021	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	10 th March 2021	
Management Board Member Financial Director	Jacek Owczarek	10 th March 2021	
Management Board Member	Przemysław Cias	10 th March 2021	
Management Board Member	Noel Collett	10 th March 2021	

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, March 11, 2021

Dr Hans Joachim Körber
Chairman of the Supervisory Board

Renato Arie
Member of the Supervisory Board

Jorge Mora
Member of the Supervisory Board

Przemysław Budkowski
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 2020, the financial statement of Eurocash S.A. for 2020,
the Management Board report on the operations of Eurocash S.A. Capital Group for 2020
and the Management Board report on the operations of Eurocash S.A. for 2020
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 2020 and the financial statements of Eurocash S.A. for 2020,
- 2) the Management Board report on the operations of Eurocash S.A. Capital Group for 2020 and the Management Board report on the operations of Eurocash S.A. for 2020,
- 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 2020,
- 2) the financial statement of Eurocash S.A. for 2020,
- 3) the Management Board report on the operations of Eurocash S.A. Capital Group for 2020,
- 4) the Management Board report on the operations of Eurocash S.A. for 2020.

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 2020 and of the financial result for the financial year as from 01 January 2020 to 31 December 2020, 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 2020 and Eurocash S.A. Capital Group in 2020 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 2020, 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 2020.

In the opinion of the Supervisory Board, the submitted consolidated financial statement for 2020, 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 2020.

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 2020 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, March 11, 2021

Dr Hans Joachim Körber
Chairman of the Supervisory Board

Renato Arie
Member of the Supervisory Board

Jorge Mora
Member of the Supervisory Board

Przemysław Budkowski
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 2020,
- the report of the Management Board on business operations of Eurocash S.A. and Eurocash S.A. Capital Group in 2020 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, March 11, 2021

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 Ciałś
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, March 11, 2021

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