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EUROCASH S.A.

SEPARATE ANNUAL REPORT

FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

NOTE FROM TRANSLATOR

This document is a translation from Polish.

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

KOMORNIKI, 14th April 2021

ANNUAL REPORT

LETTER FROM THE PRESIDENT

Dear Investors,

It is my pleasure to address this letter to you for the first time in the capacity of CEO as Eurocash SA. Therefore, the most obvious change which marked the end of 2021 for Eurocash needs to be mentioned in the beginning – the decision of Luis Amaral to leave the Chief Executive position which he held for over 25 years and henceforth entrust me the daily management of the company.

It would be trivial to say that Luis, who will shift to the Supervisory Board, has left his mark on his company – after all he has created it and it was his relentless energy which brought the company to its current position – one of the biggest companies in Poland. As the person who has taken upon him the extraordinary challenge of following in Luis' footsteps, I can only express my gratitude for being entrusted with this task as well as my respect for the professionalism with which this transition has been handled. While being for a long time the driving force and charismatic leader of Eurocash, Luis has managed to develop the company in a way that it could gradually stand on its own feet investing in a suite of managers who have the know-how, experience, and skills to take the company forward.

It is this remarkable Team I was able to engage with during my time as an advisor to the company and it is those fundaments I shall build on in my new role as CEO. Together with my colleagues from the newly reinforced Management Board I am looking forward to defining and executing the new vision for Eurocash for the coming years – building on Luis' legacy but also making our own marks as the times are dynamic and the market in full flux. We will do so, aware of the enormous potential of the Eurocash group – in the full sense of the word. This also encompasses its challenges, the overcoming of which will be one of the tasks of the new Management Board.

If anything, the year 2021, the subject of this report, also stands as a reminder of the work in front of us. While the wholesale segment has overall weathered the second year of the COVID pandemic relatively well, offsetting a slow start linked to lockdowns in the first quarter particularly in Cash&Cash, by a strong showing of the active distribution units in the second half of the year – the retail segment experienced the full impact of both a difficult macro environment as well as changing consumer behaviour.

Consumers, pushed out of their daily routine through lockdowns and home office work, and worried about the physical and financial consequences of the pandemic have adapted their shopping behaviour accordingly – favouring fewer and bigger shopping trips which naturally benefit the discount channels. Accordingly, we have seen an overall shift of consumers from the independent market, the natural habitat of Eurocash, to discounters which all impacted like for like sales. This was particularly visible in the own store segment where the pandemic impact overlapped with an ongoing and longer than expected integration and restructuring of the previously purchased stores from the Mila transaction. Weighing the long-term perspective versus the short-term hit, the management of Eurocash had to take the difficult decision of permanently closing and writing off 50 most impacted stores in order to focus efforts on the remaining network. It was not a decision management took lightly – it is therefore a relief to see that the strategy is bearing first fruits.

Most importantly, as rightly expected by Eurocash, the consumers' switch to discounters seemed to have been linked to a specific context and was not of a long-term, structural nature. As lockdowns eased, vaccination rates grew and people slowly learned to live with the virus we saw a shift back to the traditional way of buying, resulting in an overall stronger second half and a decisively better fourth quarter. Particularly the franchise business was faring well along with Eurocash's e-grocery platform Frisco which once again proved to be the ideal model for a post-Covid world. The own stores were able to make up for some of their losses while definitely still having ample room for improvement in front of them.

Overall, the group has stood its ground during another extremely challenging year and looks now forward to kick start its growth in the coming quarters. Most importantly, even though every day was full of new challenges, the Management has not halted to drive the long-term changes it has committed to in the past – most importantly its digital transformation – pushing through strategic projects despite daily headwinds. By consequence, by the end of 2021 the number of Distribution clients interacting with Eurocash through its digital channel eurocash.pl has gradually risen to hit a record of 85% of volume at Eurocash Distribution. Key projects like eurocash.pl and IPH (Innovative Trade Platform) will be continued and I am convinced they will prove to be fundamental in achieving Eurocash's long-term success.

At present the Board, the heads of all business units and almost 100 directors and managers are engaged in setting up a new strategy for Eurocash for 2025. Aware of the work that still awaits us I am impressed to be surrounded by a highly energized, enthusiastic, and engaged Team which is not only convinced of the enormous value we can create by releasing the group's full potential in the current context – it is also laser focused and seeing it through.

2022 will certainly present us with challenges of its own – in the moment I am writing these lines the world holds its breath as the dramatic scenes of a new war in Europe unfold – a prospect many thought was confined to history books – but I am more than convinced that the Eurocash group is very well positioned to weather any storm and will – prove to you, dear Investors and Stakeholders, why you have invested in it in the first place.

Best regards,

Pawel Surówka
President of the Management Board
Eurocash Group

EUROCASH S.A.

REPORT OF THE MANAGEMENT BOARD

FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

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KOMORNIKI, 14th April 2021

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1. SUMMARY OF EUROCASH OPERATIONS IN 2021

Table 1. Eurocash: Summary of 2021 Financial Performance

PLN m	**2021**	**2020**	**Change %**
Sales revenues (traded goods, materials)	16 116.46	16 109.13	0.05%
Gross profit (loss) on sales	1 770.29	1 869.92	-5.33%
Gross profitability on sales (%)	10.98%	11.61%	-0.62 p.p.
EBITDA	523.24	517.19	1.17%
(EBITDA margin %)	3.25%	3.21%	0.04 p.p.
EBIT	226.09	234.34	-3.52%
(EBIT margin %)	1.40%	1.45%	-0.05 p.p.
Gross profit	174.41	143.02	21.95%
Net Income	137.01	110.22	24.31%
(Net profitability %)	0.85%	0.68%	0.17 p.p.

Sales of Eurocash S.A. in 2021 reached PLN 16 116,46 m. Gross margin on sales realized by Eurocash S.A. in 2021 decreased by 0.62 p.p. YoY and amounted to 10.98%. In 2021 EBITDA amounted to PLN 523.24 m. and increased by o 1.17 %. The growth of EBITDA was attributable to better performance of Wholesale segment.

The net profit in 2021 amounted to PLN 137.01 m. and increased by 24.31%.
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 2021 amounted to 179 outlets. Number of abc loyalty scheme stores amounted to 9 149. The franchise and partner networks cooperating with Eurocash Dystrybucja included 5 570 stores. The number of small supermarkets increased to the level of 1 608, including 1 569 stores operating under the Delikatesy Centrum brand. The number of Inmedio newsagents amounted to 417.

2. EUROCASH GROUP BUSINESS OVERVIEW

2.1. Market Environment

Key macroeconomic data

Due to the fact that the Eurocash 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 company's sales revenues.

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

Table 2: Macroeconomic situation in Poland

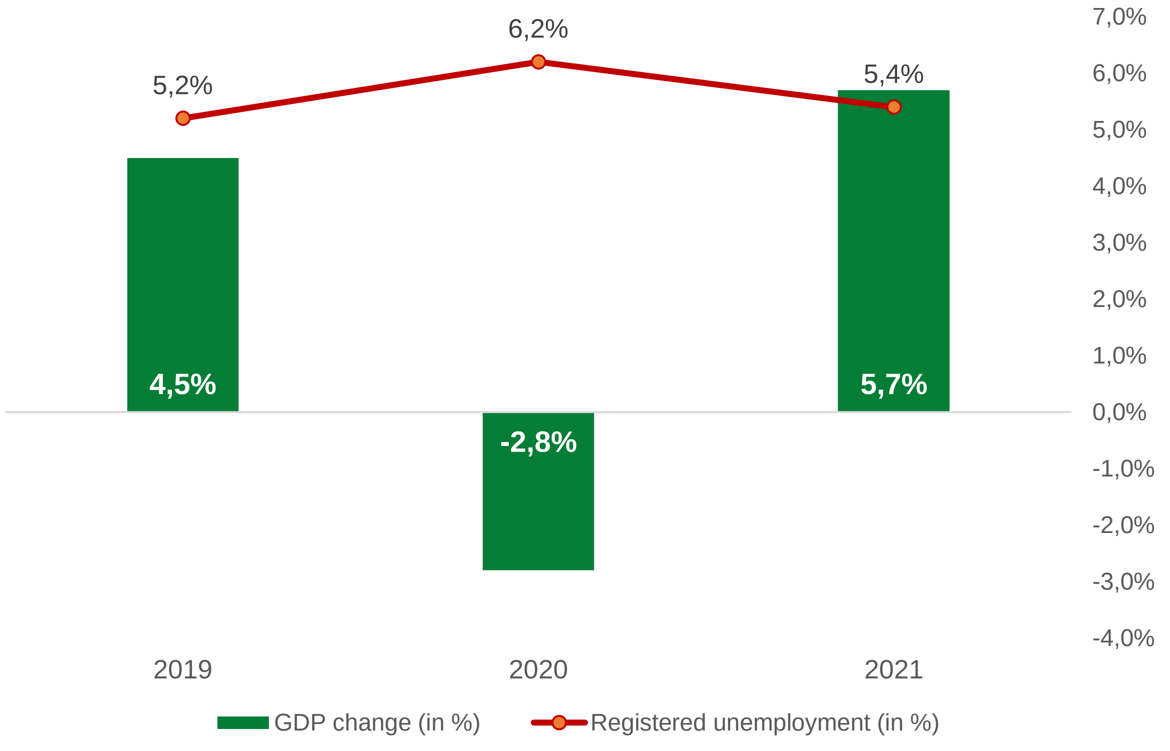
	2021	2020	2019
GDP change* (in %)	5.7	-2.8	4.5
Registered unemployment** (in %)	5.4	6.2	5.2
Wage dynamics in Poland (in%) nominally	8.8	6.6	6.5
Consumer price index change (in %)	5.1	3.4	2.3

Source: Polish Central Statistical Office

** Preliminary data for 2021*

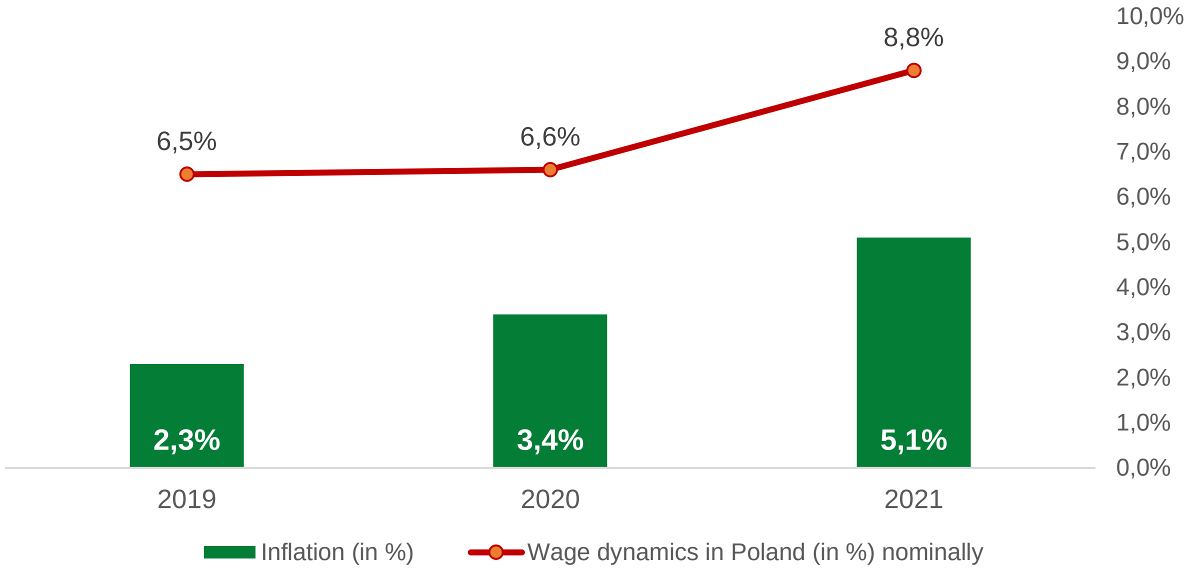
*** As at year end*

Chart 5. Macroeconomic: GDP change vs. Registered unemployment



Source: Polish Central Statistical Office

Chart 6. 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 2021 to 5.7% compared to -2.8% in 2020. The overall decline in GDP levels was driven by the COVID-19 pandemic situation. Gross added value in trade and repair increased by 5.9% YoY, compared to an decrease of 2.7% in 2020. Gross value added in manufacturing in 2021 increased by 14.1% YoY, compared to a decrease of 5.3% in 2020. Gross value added in construction in 2021 increased by 1.2% YoY, compared to a decrease of 4.6% in 2020. In 2020 total consumption increased by 4.8% in real terms, including consumption in the household sector by 6.2% (up 1.1% and 3.0% in 2020, 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 2018-2020, the dynamics of gross wages and salaries in private enterprises ranges from 6.5% to 7.0% and in 2021 it amounted to 8.8% (data from the Central Statistical Office). In the same period, inflation of consumer goods and services was recorded in Poland, which in 2021 amounted to 5.1% YoY.

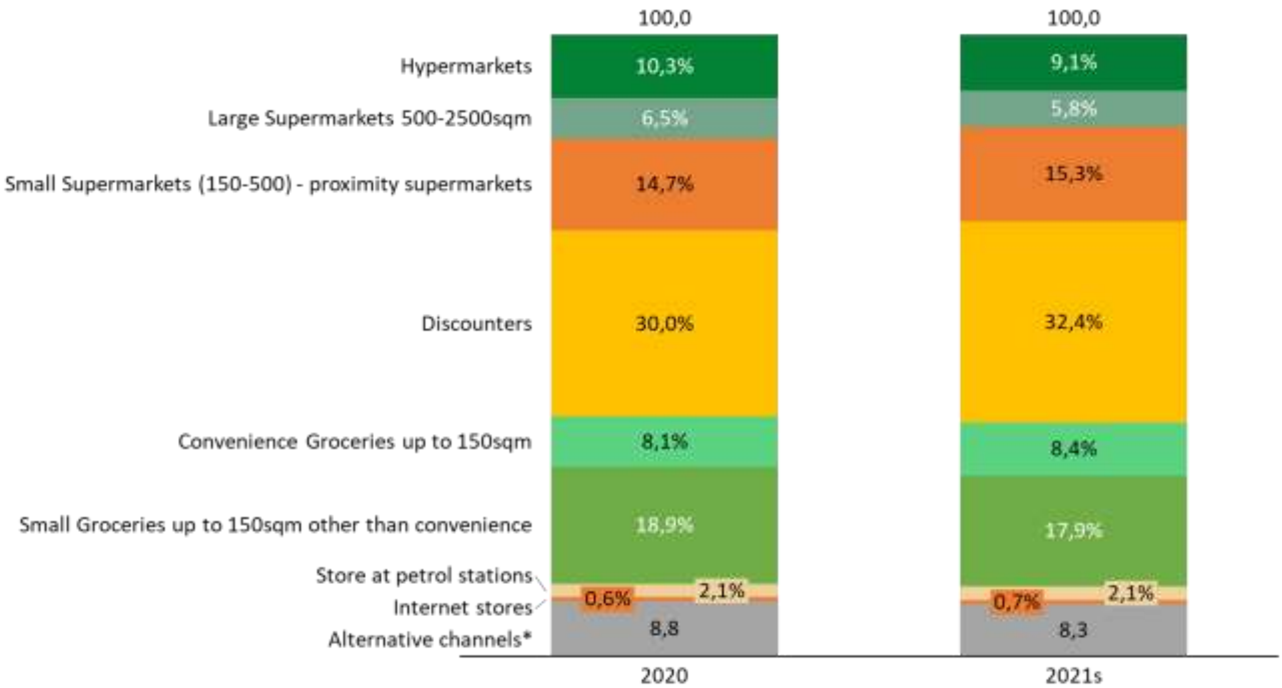
Prices of food and non-alcoholic beverages in 2021 increased by 3.2% YoY and prices of alcoholic beverages and tobacco products increased by 2.5% YoY.

At the end of December 2021, the registered unemployment rate in the country improved comparing to the previous year and amounted to 5.4%.

Polish FMCG market - general information

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

Chart 7. Structure of the FMCG market in Poland



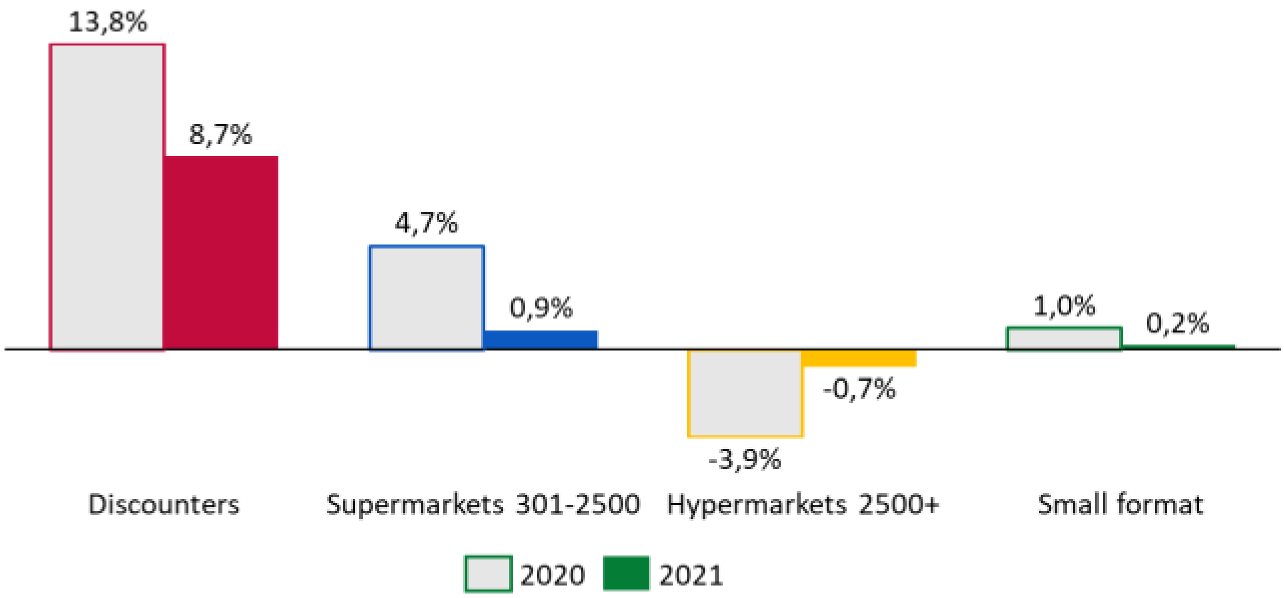
Source: Own estimates based on PMR data

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 2.8%, reaching the level of approx. 88.2 thousand stores at the end of 2021. 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.

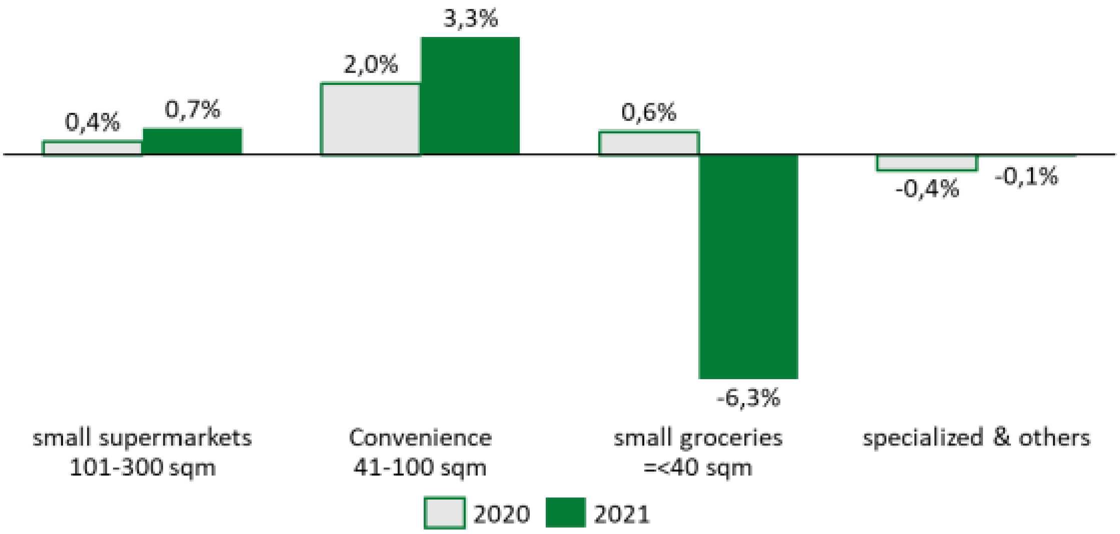
However according to Nielsen, the sale of stores that remain on the market is growing quite fast which translates into a 0.2% increase in sales of small format stores compared to last year. The sales of convenience stores (from 41 to 100 sqm) recorded a 3.3% YoY increase and specialized stores recorded an decrease of 0.1% YoY. Small supermarkets with an area of 101-300 sqm increased by 0.7% YoY and stores below 40 sqm despite the fact that their number decreased the fastest, noted a growth in sales of 6.3% YoY. Among large format stores, discounters recorded an increase in sales by 8.7% YoY, while large supermarkets sales increase amounted to 0.9% YoY. The hypermarket segment, again recorded a drop in sales, in 2020 by 0.7% YoY.

Chart 8. Sales dynamics on the food market by distribution channels



Source: Nielsen Retail Trade Panel, Value sales, period: January 2018 – December 2021, Food categories

Chart 9. Sales dynamics on the food market in small-format stores



Source: Nielsen Retail Trade Panel, Value sales, period: January 2018 – December 2021, Food categories

According to the Nielsen, value of the FMCG market in 2021 in Poland increased by 3.5% in comparison with the 2020.

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).

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 64% of major retail channels whereas small format stores - approximately 36%[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 51.4 thousands (+8.8% YoY) in 2021.

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

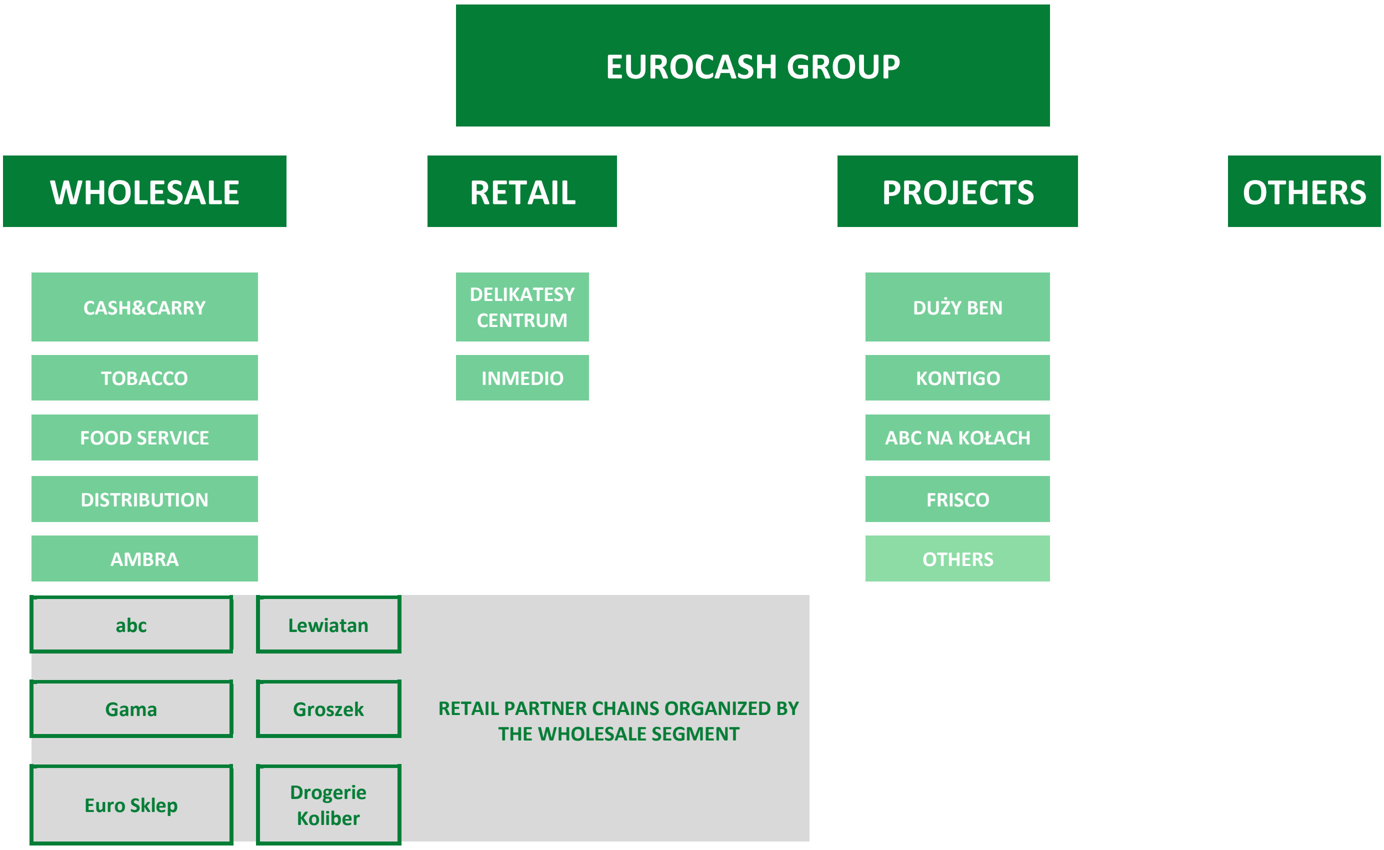
2.2. Eurocash Group: Business Formats

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

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

[1] *Nielsen Retail Trade Panel, Value sales, period: January 2019 – December 2021, Food categories*

Chart 10. 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., 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 stores, managed as part of companies: FHC-2 Sp. z o.o., Madas sp. z o.o., Podlaskie Delikatesy Centrum Sp. z o.o. (Eurocash holds 100% of shares), Rogala Sp. z o.o. (Eurocash holds 50% of shares) and Arhelan sp. z o.o. (Eurocash holds 49% of shares)
- **Lewiatan Partner** - retail sales of Eurocash Group and wholesale of Eurocash to own stores under Lewiatan brand, managed by Partner Sp. z o.o. (Eurocash holds 100% of shares), and
- **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 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 2021, the Eurocash wholesale trade network comprised 179 Cash&Carry warehouses, under which a network of "abc" partner stores was organized, which included 9 149 local grocery stores. In franchise and partner networks cooperating with Eurocash Dystrybucja, there were 5 570 stores associated.

The retail network included 1 608 small supermarkets, including 1 569 operating under the Delikatesy Centrum brand and 417 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 31st December 2021	As at 31st December 2020
Cash & Carry Warehouses	179	180
'abc' store network	9 149	9 317
Franchise and partner stores of Eurocash Distribution*	5 570	5 251
Inmedio and Inmedio Trendy newsagents	417	432
Small Supermarkets	1 608	1 573
Incl. Delikatesy Centrum	*1 569*	*1 545*

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

Source: Own study

2.4. Sales Structure

Basic groceries (food and drinks – both alcoholic and non-alcoholic) represent key sales items for the Eurocash Group. In 2021, the share of these products accounted for approximately 67% 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 c.30% in 2021. The share of other non-food products (including cosmetics, household chemicals, OTC drugs and others) accounted for 3.0% in 2021.

2.5. 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 31.12.2021. 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.

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 2021 is presented on the next page.

Chart 11. The structure of the Eurocash Group and its affiliated companies as at December 31st 2021:

Eurocash S.A. & subsidiaries as of 31.12.2021

Eurocash S.A. & spółki zależne stan na 31.12.2021

Luis Amaral
(za pośrednictwem Politra B.V. s.a.r.l.)
44.04%
EUROCASH S.A.

Wholesale

- *75%* Eurocash Serwis sp. z o.o.
- *100%* Cerville Investments sp. z o.o.
- *100%* AMBRA sp. z o.o.
- *100%* Polska Dystrybucja Alkoholi sp. z o.o.

Franchise

- *100%* Eurocash Franczyza sp. z o.o.
- *66.6%* Lewiatan Holding S.A.
- *100%* Lewiatan Podkarpacie sp. z o.o.
- *100%* Lewiatan Północ sp. z o.o.
- *100%* Lewiatan Kujawy sp. z o.o.
- *100%* Lewiatan Wielkopolska sp. z o.o.
- *100%* Lewiatan Opole sp. z o.o.
- *100%* Lewiatan Orbita sp. z o.o.
- *100%* Lewiatan Zachód sp. z o.o.
- *100%* Lewiatan Podlasie sp. z o.o.
- *100%* Lewiatan Śląsk sp. z o.o.
- *100%* EURO SKLEP sp. z o.o.
- *50%* Partnerski Serwis Detaliczny S.A.
- *100%* Groszek sp. z o.o.
- *100%* ABC sp. z o.o.
- *100%* Partner sp. z o.o.

Retail

- *51%* Inmedio sp. z o.o.
- *50%* Firma Rogala sp. z o.o.
- *50%* Delikatesy Rogala sp. z o.o.
- *100%* FHC-2 sp. z o.o.
- *100%* Madas sp. z o.o.
- *100%* EKO Holding S.A. w likwidacji
- *100%* Delikatesy Centrum sp. z o.o.
- *100%* Podlaskie Delikatesy Centrum sp. z o.o.
- *49%* Arhelan sp. z o.o.
- *49%* Stormer sp. z o.o.
- *49%* Maximix sp. z o.o.

Projects

- *100%* Kontigo sp. z o.o.
- *100%* Duży Ben sp. z o.o.
- *100%* ABC na kołach sp. z o.o.
- *100%* Innowacyjna Platforma Handlu sp. z o.o.
- *100%* 4Vapers sp. z o.o.

Other

- *100%* Frisco S.A.
- *100%* Dorvest sp. z o.o.
- *100%* FR24 sp. z o.o.
- *100%* Premium Distributors sp. z o.o.
- *100%* Przedsiębiorstwo Handlu Spożywczego sp. z o.o.
- *100%* Eurocash VC3 sp. z o.o.
- *100%* Detal Finanse sp. z o.o.
- *100%* Eurocash Nieruchomości sp. z o.o.
- *100%* Akademia Umiejętności Eurocash sp. z o.o.
- *100%* Eurocash Trade 1 sp. z o.o.
- *100%* Delikatesy Centrum 2 sp. z o.o.
- *100%* Delikatesy Centrum 3 sp. z o.o.
- *100%* Delikatesy Centrum 4 sp. z o.o.
- *65%* Gama Detal sp. z o.o.

3. EUROCASH GROUP 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 2021 number of customers of eurocash.pl platform amounted to 31 thousands and they share in sales reached 43%. 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, in future also 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 Group

External Factors

War in Ukraine

On the 24th of February 2022, Russian troops attacked Ukraine and an armed conflict began, which will certainly have long-term consequences not only for Poland and Europe, but also for the world.
The main reason for the outbreak of the war is believed to be Ukraine's declared intention to integrate into the EU and join NATO, but it seems that the problem is more complex and will not be resolved definitively any time soon.
In response to the invasion, US and EU officials have imposed sanctions on Russia. The package of sanctions is aimed in particular at impeding international trade settled in dollars and pounds (introduced by the United States and the United Kingdom). The sanctions also included issues such as disconnecting Russian banks from the SWIFT system, impeding the activities of the Russian central bank, and closing airspace to Russian aircraft. Canada, Switzerland, and Japan also joined the various actions taken by the U.S., EU, and U.K. as recently as February 2022. The introduction of sanctions triggered, among other things, a halt in the work of the Russian stock exchange, a sharp increase in cash trading, and a collapse of the ruble exchange rate.

Although the role of Russia and Ukraine in the wider international trade may not be significant, it is concentrated in narrow sectors in which both countries are large producers. This concerns energy resources (natural gas and oil) and agricultural products.

It is therefore very likely that in the long run we will pay more for fuel, gas, electricity, and food, which will probably increase the already high inflation rate.

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

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

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

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

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

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

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

COVID-19

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

Growth 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

Investments in strategic developments projects

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

Apart from the information described in this report, there are no other significant factors that could affect the financial position of Eurocash Group in the next year.

3.3. Risks and Threats

Financial risks are discussed in Note 37 to the consolidated financial statements for 2021, which constitute a part of the Eurocash Group's annual report. Other significant risk factors related to the operations of the Eurocash Group 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 2021, the traditional distribution channel was a significant form of FMCG retail distribution, representing the share of 36,4%[2]. Such a high share (against other European countries) results from a low concentration of population in a country as well as from poor housing conditions as small and medium-size shops located away from large conglomerates comprise the key customer group for Eurocash. Growth in the share of modern distribution including the expansion of discounters, responsible for 40,5%[3] of sales in Poland in 2021, will reduce the potential market for the Eurocash Group's business.

The structure of the traditional FMCG distribution channel. Competition

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

COVID-19

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

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[2] *Nielsen Retail Trade Panel, Value sales, period: January 2018 - December 2021, Food categories*

[3] *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 Group.

New investments

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

Suppliers

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

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

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

Risk management system

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

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

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

Table 4: Risk management system

Risk area	Risk examples	Elements of the risk management system - methods of monitoring and controlling
Ethics and counteracting corruption	• 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	• 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	• 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	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	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	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	• 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	• 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	• 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.)	• 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	• 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	• 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	• 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	• 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	• 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	• 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

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 2021

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

Eurocash 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 1.2 of additional information to the seperate financial statement of Eurocash Group for the 2021 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 2021 Financial Performance

PLN m	**2021**	**2020**	**Change %**
Sales revenues (traded goods, materials)	16 116.46	16 109.13	0.05%
Gross profit (loss) on sales Gross profitability on sales (%)	1 770.29 10.98%	1 869.92 11.61%	-5.33% -0.62 p.p.
EBITDA *(EBITDA margin %)*	523.24 3.25%	517.19 3.21%	1.17% 0.04 p.p.
EBIT *(EBIT margin %)*	226.09 1.40%	234.34 1.45%	-3.52% -0.05 p.p.
Gross profit	174.41	143.02	21.95%
Net Income *(Net profitability %)*	137.01 0.85%	110.22 0.68%	24.31% 0.17 p.p.

Sales of Eurocash S.A. in 2021 reached PLN 16 116,46 m. Gross margin on sales realized by Eurocash S.A. in 2021 decreased by 0.62 p.p. YoY and amounted to 10.98%. In 2021 EBITDA amounted to PLN 523.24 m. and increased by o 1.17 %. The growth of EBITDA was attributable to better performance of Wholesale segment.

The net profit in 2021 amounted to PLN 137.01 m. and increased by 24.31%.

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

PLN m	31.12.2021	%	31.12.2020	%
Fixed assets (long-term)	**4 577.55**	**68.62%**	**4 574.82**	**70.50%**
Goodwill	1 204.09	26.30%	1 204.09	26.32%
Other intangible fixed assets	589.06	12.87%	596.01	13.03%
Tangible fixed assets	393.58	8.60%	433.77	9.48%
Perpetual use	830.32	18.14%	876.31	19.16%
Investment in properties	0.91	0.02%	0.93	0.02%
Investments in subsidiary companies	1 546.47	33.78%	1 445.26	31.59%
Investments in associated companies - equity method	4.59	0.10%	4.59	0.10%
Other long-term financial assets	4.20	0.09%	0.06	0.00%
Long-term receivables	1.42	0.03%	4.56	0.10%
Long-term prepayments	2.90	0.06%	9.27	0.20%
Current assets (short-term)	**2 093.00**	**31.38%**	**1 913.93**	**29.50%**
Invetories	955.91	45.67%	770.76	40.27%
Trade receivables	995.84	47.58%	1 063.88	55.59%
Current income tax receivables	-	0.00%	17.62	0.92%
Other short-term receivables	83.24	3.98%	18.21	0.95%
Short-term financial assets held for trade	-	0.00%	-	0.00%
Other short-term financial assets	15.36	0.73%	0.31	
Short-term prepayments	19.26	0.92%	20.61	1.08%
Cash and cash equivalents	23.38	1.12%	22.54	1.18%
Fixed assets classified as held for sale	**-**	**0.00%**	**-**	**0.00%**
Total assets	**6 670.55**	**100.00%**	**6 488.75**	**100.00%**

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

PLN m	31.12.2021	%	31.12.2020	%
Equity	**1 301.75**	19.51%	**1 200.23**	**18.50%**
Share capital	139.16	10.69%	139.16	11.59%
Treasury shares	-	0.00%	-	0.00%
Supplementary capital	940.85	72.28%	878.71	73.21%
Hedging reserve	-	0.00%	-	0.00%
Capital connection	-	0.00%		
Hedge transactions valuation capital	9.56	0.73%	(21.73)	-1.81%
Option for purchase/selling the shares	-	0.00%	-	0.00%
Retained earnings	212.17	16.30%	204.09	17.00%
Long-term liabilities	**1 458.36**	**27.16%**	**1 370.14**	**25.91%**
Long-term loans and credits	571.02	39.15%	464.69	33.92%
Other long-term financial liabilities	125.00	8.57%	130.68	9.54%
Long-term lease liabilities	721.85	49.50%	760.13	55.48%
Other long-term liabilities	15.50	12.40%	0.43	0.03%
Deferred income tax provision	20.76	1.42%	9.42	0.69%
Provision for employee benefits	4.24	0.29%	4.80	0.35%
Other long-term provisions	-	0.00%	-	0.00%
Short-term liabilities	**3 910.44**	**72.84%**	**3 918.38**	**74.09%**
Short-term loans and credits	456.13	11.66%	742.20	18.94%
Other short-term financial liabilities	16.76	0.43%	31.84	0.81%
Short-term lease liabilities	174.24	4.46%	171.27	4.37%
Trade liabilities	2 800.87	71.63%	2 641.21	67.41%
Current income tax liabilities	6.38	0.16%	-	0.00%
Other short-term liabilities	184.48	4.72%	65.34	1.67%
Provision for employee benefits	92.12	2.36%	92.47	2.36%
Other short-term provisions	179.45	4.59%	174.05	4.44%
Liabilities	**5 368.80**	**80%**	**5 288.52**	**81.50%**
Total liabilities	**6 670.55**	**100.00%**	**6 488.75**	**100.00%**

Loan Agreements, Warranties and Collaterals

Loan agreements

Information on credit agreements concluded by Eurocash S.A. is presented in Note 22 to the separate financial statements for 2021.

Loans granted

In 2021, 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 36 to the separate financial statements for 2021.

Issue of Securities and Bonds in 2021

Issue of shares

In the period between 1st January 2021 and 31st December 2021 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 36 and 37.

4.5. Eurocash Cash Flow Analysis

Cash flow Statement

Table 8: Eurocash S.A.: Cash flows for 2021

PLN m	**2021**	**2020**
Operating cash flow	515.60	391.70
Gross profit (loss)	*174.41*	*143.02*
Depreciation	*297.16*	*282.84*
Change in working capital	*0.07*	*(117.76)*
Other	*43.97*	*83.60*
Cash flow from investments	(46.30)	(173.08)
Cash flow from financing activities	(470.65)	(228.99)
Total cash flow	(1.35)	(10.37)

Total cash flow in 2021 amounted to PLN -1.35 m., while the operating cash flow reached PLN 515.60 m. Cash flow from investments amounted to PLN -46.30 m., and cash flow from financing activities amounted in 2021 to PLN -470.65 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 2021

Turnover in days	**2021**	**2020**
1. Inventories turnover	21.65	17.51
2. Trade receivables turnover	22.55	24.17
3. Trade liabilities turnover	(71.26)	(67.89)
4. Operating cycle	44.20	41.68
5. Cash conversion	(27.06)	(26.21)

Cash conversion cycle in 2021 amounted to -27.06 days compared to -26.21 days in 2020. 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 2021 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 subsidies 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

The Company follows the IRS. 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 2021, the total investment outlays amounted to PLN 181,35m.

Table 10: Eurocash S.A.: Investment of Eurocash w 2021

PLN m	2021	2020
Total investment outlays	**181,35**	**254,47**

Assessment of Capacity to Carry out Anticipated Investments

Key investments planned for 2022 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,

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. As at the balance sheet date, the Company does not have any obligations resulting from the above-mentioned capital expenditures incurred in 2022.

4.7. Key Contributors to 2021 Financial Performance of Eurocash S.A.

Equity Changes

In the period between 1st January 2021 and 31st December 2021, no shares were issued

Dividend Payment

By virtue of Resolution No. 5 dated April 27, 2021 the Ordinary Shareholders' Meeting of EUROCASH S.A. resolved that the dividend shall be paid from the Company's profit. The Ordinary Shareholders' Meeting of Eurocash S.A. decided that the persons who are the shareholders of the Company on June 16, 2021 shall receive the dividend in amount PLN 0.48 (forty eight groszes) per one Company's share; the dividend was paid on July 7, 2021.

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. On 30 November 2021, the President of the Office for Competition and Consumer Protection issued a decision concluding that the Company had engaged in unfair contractual advantage practice consisting in requiring from suppliers of agricultural and food products fees for services which are not performed. On 30 November 2021, the President of the Office for Competition and Consumer Protection issued a decision in which he stated that the Company committed a practice of unfairly exploiting contractual advantage by charging suppliers of agricultural and food products for services which are not performed for them or which are performed but about which the suppliers are not informed, including their costs and results, and imposed a fine on the Company in the amount of PLN 76,019,901.23. The Company does not agree with the position of the President of OCCP, therefore on 30 December 2021 it appealed against the decision of the President of OCCP to the Court of Competition and Consumer Protection. The obligation to pay the fine imposed by the President of OCCP arises only after the decision becomes final, i.e. after the verdict of the Court of Second Instance (Court of Appeal) is issued. In the current conditions, the duration of proceedings from the moment of issuance of the decision to the moment of issuance of the final judgment by the Court of Appeal is about 4-5 years.

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

Crucial agreements

On 09.11.2021. Eurocash bought 49% shares of Arhelan sp. z o.o

Agreement with suppliers exceeding 10% of total sales revenues

In 2021, 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 10.05%.

Strategic options review

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

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

In 2021, Eurocash did not enter into any loan or credit guarantee transactions and did not issue any guarantees of significant value.

5.3. Information on Transactions with Connected Entities

In 2021 Eurocash did not execute other transactions with related parties otherwise than in the ordinary course of business on an arm’s length basis.

5.4. Forecasts Publication

The Management Board of Eurocash S.A. did not publish financial forecasts for 2021 or 2022.

5.5. Changes in Key Management Principles

Appointment of Member of the Management Board

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

Company effective as of 1 February 2022. On the same day Mr. Noel Collett and Mr. Rui Amaral has resigned.

In 2021 there were no other major changes in the basic management principles.

5.6. 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.

5.7. Information on Registered Audit Company

The consolidated financial statements of Eurocash Group for 2021 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 16: Expenditures for audit and review of financial statements

thousands of PLN	2020	2021
Audit of financial statements	480	1 130
Review of financial statements	270	270
Other services	95	145
Total	**845**	**1 545**

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 2021", which constituting an attachment to the Resolution No. 13/1834/2021 of the Stock Exchange Council dated 29th March 2021 (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, 2021, the Company complied with the corporate governance principles set out in the document "Good Practices for Companies listed on WSE 2021" in accordance with the statement posted on the website:

https://grupaeurocash.pl/assets/media/pl-gpw-dobre-praktyki-eurocash.pdf

In the financial year ending on December 31, 2021, the Company did not comply with the following corporate governance rules:

- 1.4.2. present the value of the equal wage ratio paid to its employees, calculated as the percentage difference between the average monthly remuneration (including bonuses, awards and other allowances) of women and men for the last year, and provide information on actions taken to eliminate any inequalities in this respect, along with with the presentation of related risks and the time horizon in which it is planned to achieve equality.
  Comment:
  Eurocash Group Ethics Principles and Work Regulations contain provisions, inter alia, on counteracting discrimination based on sex, age, disability, religion or belief, sexual orientation, race, ethnic origin, nationality, political beliefs, trade union membership or type of employment.

- 2.1. A company should have a diversity policy towards the management board and supervisory board, adopted respectively by the supervisory board or the general meeting. The diversity policy defines the goals and criteria of diversity, among others in such areas as gender, field of education, specialist knowledge, age and professional experience, as well as indicates the date and method of monitoring the achievement of these goals. In terms of gender diversity, the condition for ensuring the diversity of company bodies is the participation of a minority in a given body at a level not lower than 30%.
  Comment:
  Managing diversity in the Group concerns all employees, its authorities and key managers. Understanding the diversity manifests itself in the fact that people are important regardless of gender, age, health, sexual orientation, religion, marital status or country of origin. Activities

related to diversity affect many aspects of the group's activities and are aimed at respecting other people, equal treatment and using the potential of employees. The Ethics Principles and Work Regulations contain provisions, inter alia, on counteracting discrimination based on sex, age, disability, religion or belief, sexual orientation, race, ethnicity, nationality, political beliefs, trade union membership or type of employment. Diversity management also applies to members of the Supervisory and Management Boards as well as key managers. The management and supervisory staff consists of people of different gender, age and experience.

- 2.2. Persons making decisions on the appointment of members of the management board or supervisory board of a company should ensure the versatility of these bodies by selecting persons who ensure diversity in their composition, enabling, inter alia, achieving the target minimum minority participation rate set at a level of no less than 30%, in line with the objectives set out in the adopted diversity policy referred to in principle 2.1

  Comment:

  Managing diversity in the Group concerns all employees, its authorities and key managers. Understanding the diversity manifests itself in the fact that people are important regardless of gender, age, health, sexual orientation, religion, marital status or country of origin. Activities related to diversity affect many aspects of the group's activities and are aimed at respecting other people, equal treatment and using the potential of employees. The Ethics Principles and Work Regulations contain provisions, inter alia, on counteracting discrimination based on sex, age, disability, religion or belief, sexual orientation, race, ethnicity, nationality, political beliefs, trade union membership or type of employment. Diversity management also applies to members of the Supervisory and Management Boards as well as key managers. The management and supervisory staff consists of people of different gender, age and experience.
- 3.6. The head of internal audit reports organisationally to the president of the management board, and functionally to the president of the audit committee or the president of the supervisory board, if the board performs the function of the audit committee..

  Comment:

  Head of the internal audit unit:

  1) has direct contact with members of the management board and supervisory board;

  2) participates in management board meetings;

  3) participates in the meetings of the supervisory board and the audit committee, if the subject of the meeting are issues related to the risk management system, internal audit, internal control, ensuring compliance with the law.
- 5.5. If the transaction of the company with a related entity requires the consent of the supervisory board, before adopting a resolution on granting consent, the board assesses whether it is necessary to first consult an external entity that will evaluate the transaction and analyze its economic effects.

  Comment:

  The company does not currently have such internal regulations and plans to implement them in the near future.

- 5.6. If the conclusion of a transaction with a related entity requires the consent of the general meeting, the supervisory board prepares an opinion on the validity of the conclusion of such transaction. In such a case, the council assesses the necessity to first consult an external entity referred to in the principle.
  Comment:
  The company does not currently have such internal regulations and plans to implement them in the near future.
- 5.7. If a decision on the conclusion by the company of a significant transaction with a related entity is made by the general meeting, before making such a decision, the company provides all shareholders with access to information necessary to assess the impact of this transaction on the company's interest, including the opinion of the supervisory board referred to in principle 5.6.
  Comment:
  The company does not currently have such internal regulations and plans to implement them in the near future.

6.2. Shareholders structure

Shareholders with Direct or Indirect Substantial Shareholding in Eurocash

As at 31st December 2021 the structure of shareholders holding directly or indirectly large blocks of shares in Eurocash S.A. was as below.

Table 17: Shareholders with Direct or Indirect Substantial Shareholding in Eurocash

	31.12.2021				13.12.2020			
Shareholder	Number of shares	Share in share capital (%)	Number of shares	Share in total number of votes	Number of shares	Share in share capital (%)	Number of shares	Share in total number of votes
Luis Amaral (directly and indirectly*)	61 287 778	44,04%	61 287 778	44,04%	61 287 778	44,04%	61 287 778	44,04%
Others	77 875 508	55,96%	77 875 508	55,96%	77 875 508	55,96%	77 875 508	55,96%
Total	**139 163 286**	**100,00%**	**139 163 286**	**100,00%**	**139 163 286**	**100,00%**	**139 163 286**	**100,00%**

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

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 31.12.2021 was as follows:

Table 18: Shares in the company held by members of the management board and their rights to subscription

	Eurocash shareholding		Share subscription rights	
Zarząd	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Paweł Surówka	-	-	-	-
Luis Amaral (bezpośrednio i pośrednio)	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	0	0
Tomasz Polański	-	-	-	-
Dariusz Stolarczyk	-	-	-	-

**indirectly through persons closely related*

*** role effective January 1, 2020*

Table 19: Shares in the company held by supervisory board and rights to subscription

	Eurocash shareholding		Share subscription rights	
Supervisory board	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Hans-Joachim Körber	0	0	0	0
Jorge Mora	121 500	121 500	0	0
Renato Arie	0	0	0	0
Francisco José Valente Hipólito dos Santos	0	0	0	0
Przemysław Budkowski**	0	0	0	0

** 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 2021. The composition of the Management Board at the day of December 31st 2021 is presented below.

Table 20: The composition of the Management Board at the end of 2021

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

As of 1.01.2022, Mr. Paweł Surówka was appointed President of the Management Board. Mr Luis Amaral changed his position to Member of the Management Board. On 31 January 2022 On 31 January 2022, the Supervisory Board of Eurocash adopted a resolution concerning the appointment of Mr. Dariusz Stolarczyk and Mr. Tomasz Polański to the Management Board of the Company, effective as of 1 February 2022. On the same day Mr. Noel Collett and Mr. Rui Amaral resigned.

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 2021 is provided in the section of the annual report which contains the annual consolidated financial statements, in Note 33.

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 2021 was as presented in the table below.

Table 21: The composition of the Supervisory Board in 2021

Name	**Position**	**Period**
Hans Joachim Körber	Chairman of the Supervisory Board	01.01.2021 – 31.12.2021
Francisco José Valente Hipólito dos Santos	Member of the Supervisory Board	01.01.2021 – 31.12.2021
Renato Arie	Member of the Supervisory Board	01.01.2021 – 31..12.2021
Jorge Mora	Member of the Supervisory Board	01.01.2021 – 31.12.2021
Przemysław Budkowski	Member of the Supervisory Board	01.01.2021 – 31.12.2021

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 2021 is provided in the section of the annual report which contains the annual consolidated financial statements, in Note 33.

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 non-auditing 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 that the audit
k) submit recommendations to ensure the integrity of financial reporting by the Company.

The Audit Committee comprised in the period 01.01.2021 - 31.12.2021: Mr Jorge Mora (Chairman of the Audit Committee), Mr Francisco José Valente Hipólito dos Santos (Member of the Audit Committee) and 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 01.01.2021 - 31.12.2021 were: Mr. Renato Arie (Chairman of the Remuneration Committee), Mr. Francisco José Valente Hipólito dos Santos (Member of the Remuneration Committee) and 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 01.01.2021 - 31.12.2021 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 ¾ 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 ¾ votes.

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

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

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

The scope of activities of the Management Board includes any and all affairs of the Company not reserved for the powers of the General Shareholders' Meeting and the Supervisory Board. The range of powers of the General Shareholders' Meeting and the scope of powers of the Supervisory Board are defined in Point 6.4 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

Company has no employee shares.

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, 2021 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 2021 to 31st December 2021 Mr. Jorge Mora (Chairman of the Audit Committee) and Mr. Przemysław Budkowski.

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 Espirito 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 Espirito 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 2021 held four meetings: on March 10th, March 21st, 22nd November, August 24th .

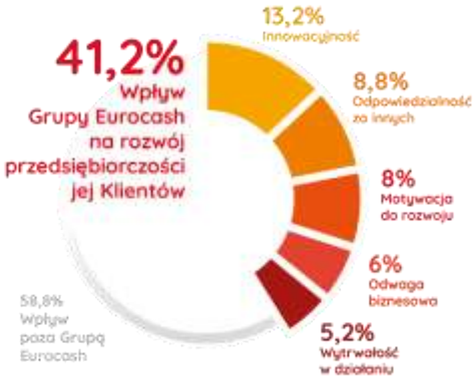
7. STATEMENT ON NON-FINANCIAL INFORMATION

7.1. Business model

Eurocash Group is the largest Polish company dealing in wholesale distribution of FMCG products and supporting Entrepreneurs and independent retail trade throughout the country. We have been on the Polish market for 27 years. By combining our business experience, the involvement of Eurocash Group employees and the entrepreneurship of local store owners, we have gained a leading position in the distribution of FMCG goods in Poland.

On the one hand, our activity is based on the creation of the widest possible range of FMCG products, which we deliver to our clients (who are entrepreneurs - shop owners) at affordable prices that enable them to compete with the large-format market. On the other hand, on supporting our clients in their entrepreneurship: we provide them with both new business models and concepts or new channels to reach their clients, as well as educational programs (an example is the Academy of Skills), which enable them to continuously develop their business, in line with the latest trends in retail. We also provide them with extensive marketing support.

Currently, our Group cooperates with over 89 thousand Clients and is an employer for about 20 thousand people.
After 27 years of activity and supporting our clients, we deserve to be called the patron of entrepreneurship in Poland. Promoting and developing entrepreneurship is one of the pillars of our sustainable development strategy - because this is how we understand our responsibility to society. In 2021, for the first time, we published the " Report on Eurocash Group's Impact on the Development of its Clients' Entrepreneurship" in which, thanks to a specially developed model, we examined our impact on the Entrepreneurs cooperating with us. Thanks to the study, we learned that we strengthen their willingness to seek innovative solutions, which is an important element in building their competitive advantage. The Group's influence on responsibility for others is also high, it shows the sensitivity of Entrepreneurs to social problems and their relationship with the local community. It is also visible that the Group has a strong influence on the motivation of entrepreneurs to develop their own, business courage and persistence in action.
The report can be downloaded from the website - https://grupaeurocash.pl/o-eurocash/odpowiedzialny-biznes



We conduct our business in a socially responsible manner - this is what 76% of respondents believe (according to the NPS survey). In the area of non-financial activities, we pursue a transparent communication policy, publishing the Eurocash Group's social responsibility reports since 2012. The Eurocash Group's corporate social responsibility report for 2021 will be published by April 30, 2021 on the Group's website (https://grupaeurocash.pl/o-eurocash/odpowiedzialny-biznes). The report will be prepared in accordance with the principles of the international GRI Standard and the guidelines of the TCFD.

In 2021, the Group carried out a number of activities related to the area of sustainable development, including prepared the social campaign "We respect, we do not waste!" devoted to the topic of not wasting food. This campaign was aimed at providing Entrepreneurs with educational tools supporting such management in the store, in order to reduce food waste as much as possible. Entrepreneurs received an e-book prepared especially for them, and access to the conference "We respect, we do not waste! - Responsible Entrepreneur, Responsible Store ", which took place on October 16, 2021 (to celebrate World Food Day), participated in a series of expert webinars available on the Eurocash Skills Academy platform. For the owners of grocery stores, a series of blog articles was also prepared, in which topics related to the applicable legal regulations in the area of not wasting food were discussed. The slogan of the campaign referred to respect for all people involved in the production, distribution and sale of food, and it also meant joint activities aimed at reducing food waste. We have also not forgotten about people in need - our social partner was Caritas Polska, with whom we cooperate in the field of food donation. The slogan "We respect, we do not waste!" Entrepreneurs declared that their stores were run in a responsible, sustainable manner - which is increasingly important for consumers. In total, in 2021, the Eurocash Group donated over 300 tons of food to non-profit organizations. Description of the method of managing the social responsibility of the Eurocash Group. Social responsibility has been in the DNA of our company from the very beginning of its existence. In 2021, we continued the implementation of the Eurocash 2020+ Group's Sustainable Development Strategy, which we adopted in 2019. The strategy is based on four pillars, each of which is dedicated to specific stakeholders - important for our company - and important social and environmental topics. Key performance indicators have been defined, the degree of implementation of which will be described in the Eurocash Group's Corporate Social Responsibility Report for 2021. The Group also established functions dedicated to the implementation of the 2020+ Sustainable Development Strategy. Supervision over this area is carried out by the Member of the Management Board who is responsible for this area.

The sustainable development strategy of the Eurocash Group 2020+

Pillar	Key topics	Ambitions	Sustainable Development Goals
Entrepreneurship Development	Providing Entrepreneurs with purchasing power, retail concepts and development tools Support for succession and young Entrepreneurs, increasing the number of people employed in trade Increasing the role of Entrepreneurs in society by promoting their activities for society Creating conditions for the development of innovative solutions for small and medium-sized entrepreneurs.	Building responsible entrepreneurship that ensures sustainable development of the society and economy of the entire country.	  
Quality without compromise for everyone and preventing food waste	Providing the highest quality products Ensuring product safety Providing consumers with products that are always of good quality, safe and at an affordable price Building a responsible supply chain Ensuring continuity of the supply chain Limiting food waste	Delivering safe, high-quality food to every customer (who owns the store) and the widest possible group of consumers throughout Poland and reducing food waste.	 
We use less	Ograniczanie emisji CO2 poprzez ograniczanie zużycia paliwa i energii	Reduction of CO2 emissions	

Safety, health and involvement of employees	Ensuring safety in the workplace Strengthening employee involvement and development	Creating the best working conditions for everyone	8 WZROST GOSPODARCZY I GODNA PRACA

The area of effectiveness of non-financial activities is measured using many indicators - we use proprietary and strategic indicators as well as GRI Standard indicators, and based on the available econometric and proprietary models, we define the scale and dimension of our effectiveness and activities in this area.

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

References to social and employee issues, the natural environment, respect for human rights and counteracting corruption are of key importance for activities in the area of non-financial activity. The Eurocash Group's risk management system covers all aspects of the operations of its units. This system focuses both on internal and external areas, and at the same time takes into account, among others, the impact of the Group's operations in relation to social and employee issues, the natural environment, respect for human rights and counteracting corruption. The Group's risk management is based on a number of procedures and internal policies, as well as on complementary and systematic internal control tasks by designated resources. In addition, the company has an internal audit in place to ensure the quality and effectiveness of these controls.
In the financial year ending on December 31, 2021, the Company did not comply with the following corporate governance rules:

- 1.4.2. present the value of the equal wage ratio paid to its employees, calculated as the percentage difference between the average monthly remuneration (including bonuses, awards and other allowances) of women and men for the last year, and provide information on actions taken to eliminate any inequalities in this respect, along with with the presentation of related risks and the time horizon in which it is planned to achieve equality.
  Comment:
  Eurocash Group Ethics Principles and Work Regulations contain provisions, inter alia, on counteracting discrimination based on sex, age, disability, religion or belief, sexual orientation, race, ethnic origin, nationality, political beliefs, trade union membership or type of employment.

- 2.1. A company should have a diversity policy towards the management board and supervisory board, adopted respectively by the supervisory board or the general meeting. The diversity policy defines the goals and criteria of diversity, among others in such areas as gender, field of education, specialist knowledge, age and professional experience, as well as indicates the date and method of monitoring the achievement of these goals. In terms of gender diversity, the condition for ensuring the diversity of company bodies is the participation of a minority in a given body at a level not lower than 30%.

Comment:

Managing diversity in the Group concerns all employees, its authorities and key managers. Understanding the diversity manifests itself in the fact that people are important regardless of gender, age, health, sexual orientation, religion, marital status or country of origin. Activities related to diversity affect many aspects of the group's activities and are aimed at respecting other people, equal treatment and using the potential of employees. The Ethics Principles and Work Regulations contain provisions, inter alia, on counteracting discrimination based on sex, age, disability, religion or belief, sexual orientation, race, ethnicity, nationality, political beliefs, trade union membership or type of employment. Diversity management also applies to members of the Supervisory and Management Boards as well as key managers. The management and supervisory staff consists of people of different gender, age and experience.

- 2.2. Persons making decisions on the appointment of members of the management board or supervisory board of a company should ensure the versatility of these bodies by selecting persons who ensure diversity in their composition, enabling, inter alia, achieving the target minimum minority participation rate set at a level of no less than 30%, in line with the objectives set out in the adopted diversity policy referred to in principle 2.1

  Comment:

  Managing diversity in the Group concerns all employees, its authorities and key managers. Understanding the diversity manifests itself in the fact that people are important regardless of gender, age, health, sexual orientation, religion, marital status or country of origin. Activities related to diversity affect many aspects of the group's activities and are aimed at respecting other people, equal treatment and using the potential of employees. The Ethics Principles and Work Regulations contain provisions, inter alia, on counteracting discrimination based on sex, age, disability, religion or belief, sexual orientation, race, ethnicity, nationality, political beliefs, trade union membership or type of employment. Diversity management also applies to members of the Supervisory and Management Boards as well as key managers. The management and supervisory staff consists of people of different gender, age and experience.
- 3.6. The head of internal audit reports organisationally to the president of the management board, and functionally to the president of the audit committee or the president of the supervisory board, if the board performs the function of the audit committee..

  Comment:

  Head of the internal audit unit:

  1) has direct contact with members of the management board and supervisory board;

  2) participates in management board meetings;

  3) participates in the meetings of the supervisory board and the audit committee, if the subject of the meeting are issues related to the risk management system, internal audit, internal control, ensuring compliance with the law.

- 5.5. If the transaction of the company with a related entity requires the consent of the supervisory board, before adopting a resolution on granting consent, the board assesses whether it is necessary to first consult an external entity that will evaluate the transaction and analyze its economic effects.
  Comment:
  The company does not currently have such internal regulations and plans to implement them in the near future.
- 5.6. If the conclusion of a transaction with a related entity requires the consent of the general meeting, the supervisory board prepares an opinion on the validity of the conclusion of such transaction. In such a case, the council assesses the necessity to first consult an external entity referred to in the principle.
  Comment:
  The company does not currently have such internal regulations and plans to implement them in the near future.
- 5.7. If a decision on the conclusion by the company of a significant transaction with a related entity is made by the general meeting, before making such a decision, the company provides all shareholders with access to information necessary to assess the impact of this transaction on the company's interest, including the opinion of the supervisory board referred to in principle 5.6.
  Comment:
  The company does not currently have such internal regulations and plans to implement them in the near future.

EU Taxonomy

Regulation (EU) 2020/852 of the European Parliament and of the Council (Article 8(1) of the Taxonomy) requires entities subject to the NFRD (i.e. entities defined in Article 49b of the AoR) to disclose whether and to what extent their business activities comply with the assumptions of the Taxonomy. In Eurocash Group the percentage of turnover qualifying for the Taxonomy is approximately 0.14%, approximately 13% of OpEx and approximately 30% of CAPEX. Detailed information on the taxonomy will be provided in the Eurocash Group non-financial report.

7.2. 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 23: Risk management system

Risk area	Risk examples	Elements of the risk management system - methods of monitoring and controlling
Ethics and counteracting corruption	• 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	• 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	• 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	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	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	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	• 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	• 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	• 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.)	• 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	• 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	• 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	• 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	• 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	• Risk of contamination or poisoning of the environment • Risk of excessive CO_2 emissions • Risk of uncontrolled energy consumption in buildings and the transport fleet	• 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

	• 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	• Cooperation with food banks • Waste segregation and management of recyclable materials

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 2021.

The members of the Management Board of Eurocash S.A. represent that Ernst & Young Audyt Polska sp. z o.o. sp. k., the entity qualified to audit financial statements which 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

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SIGNATURES OF MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President	Paweł Surówka	14th April 2022	
Management Board Member	Luis Amaral	14th April 2022	
Management Board Member	Arnaldo Guerreiro	14th April 2022	
Management Board Member	Dariusz Stolarczyk	14th April 2022	
Management Board Member	Pedro Martinho	14th April 2022	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	14th April 2022	
Management Board Member Financial Director	Jacek Owczarek	14th April 2022	
Management Board Member	Przemysław Ciaś	14th April 2022	
Management Board Member	Tomasz Polański	14th April 2022	

SELECTED SEPARATE FINANCIAL DATA

	for the period from 01.01.2021 to 31.12.2021 PLN	for the period from 01.01.2020 to 31.12.2020 PLN	for the period from 01.01.2021 to 31.12.2021 EUR	for the period from 01.01.2020 to 31.12.2020 EUR
Sales	16 116 464 851	16 109 125 701	3 528 586 253	3 624 263 342
Operating profit (loss)	226 086 425	234 343 426	49 500 027	52 723 053
Profit (loss) before income tax	174 406 061	143 018 778	38 184 976	32 176 651
Profit (loss) for the on continued operations	137 013 492	110 220 623	29 998 137	24 797 656
Profit (loss) for the period	137 013 492	110 220 623	29 998 137	24 797 656
Net cash from operating activities	515 601 034	391 700 611	112 887 208	88 125 588
Net cash used in investing activities	(46 298 870)	(173 076 499)	(10 136 811)	(38 939 097)
Net cash used in financing activities	(470 649 385)	(228 990 897)	(103 045 362)	(51 518 830)
Net change in cash and cash equivalents	(1 347 222)	(10 366 785)	(294 965)	(2 332 340)
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)	0,98	0,79	0,22	0,18
Diluted EPS (in PLN / EUR)	0,98	0,79	0,22	0,18
Average PLN / EUR rate*			4,57	4,44

	Non audited as at 31.12.2021 PLN	as at 31.12.2020 PLN	Non audited as at 31.12.2021 EUR	as at 31.12.2020 EUR
Assets	6 670 551 767	6 488 750 929	1 450 309 120	1 406 074 137
Non-current liabilities	1 458 363 469	1 370 141 883	317 076 895	296 901 682
Current liabilities	3 910 441 292	3 918 376 516	850 206 830	849 089 130
Equity	1 301 747 005	1 200 232 530	283 025 396	260 083 325
Share capital	139 163 286	139 163 286	30 256 835	30 155 865
Number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Diluted number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Book value per share (in PLN / EUR)	9,35	8,62	2,03	1,87
Diluted book value per share (in PLN / EUR)	9,35	8,62	2,03	1,87
Dividends paid (in PLN / EUR)	66 798 377	-	14 523 281	-
Dividends paid per share (in PLN / EUR)	0,48	-	0,10	-
PLN / EUR rate at the end of the period**			4,60	4,61

* Profit and loss items and cash flow items calculated on basis at a weighted average rate announced by the National Bank of Poland for 4Q 2021 YTD.

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

*** The dividend for 2020 was paid on 7 July 2021 to shareholders of the Company as at 16 June 2021.

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INDEPENDENT AUDITOR'S AUDIT REPORT

For the General Meeting and for the Supervisory Board of Eurocash S.A.

Report on the audit of the annual financial statements

Opinion

We have conducted an audit of the annual financial statements of Eurocash S.A. (the "Company") with its registered office in Komorniki at 11 Wiśniowa Street, which consists of: general information, separate income statement, separate statement of comprehensive income for the period from 1 January 2021 to 31 December 2021, separate statement of financial position as at 31 December 2021, separate statement of cash flows, separate statement of changes in equity for the period from 1 January 2021 to 31 December 2021 and notes to the separate statement financial statements prepared for the period from 1 January 2021 to 31 December 2021 ("financial statements").

In our opinion, the financial statements:

- presents a fair and clear view of the Company's asset and financial position as at 31 December 2021 and its financial result and cash flows for the period from 1 January 2021 to 31 December 2021 in accordance with the applicable International Financial Reporting Standards approved by the European Union and the adopted accounting principles (policy),
- is consistent as to the form and content with the applicable law and its statutes,
- was prepared on the basis of properly kept accounting books in accordance with the provisions of Chapter 2 of the Accounting Act of 29 September 1994 ("Accounting Act").

This opinion is consistent with the additional report to the Audit Committee, which we issued on 14 April 2022.

Basis of the opinion

We conducted our audit in accordance with the National Audit Standards in the wording of the International Audit Standards adopted resolutions of the National Council of Statutory Auditors ("KSB") and pursuant to the Act of 11 May 2017 on statutory auditors, audit firms and public supervision ("Statutory Auditors Act") and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on detailed requirements for statutory audits the financial statements of public-interest entities repealing Commission Decision 2005/909/EC ('EU Regulation'). Our responsibility under these standards is further described in the section of our report "Statutory Auditor's Responsibility for auditing the financial statements".

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethical Standards Board for Accountants ("IESBA Code") adopted by resolutions of the National Board of Statutory Auditors and other ethical requirements that apply to the audit of financial statements in Poland. We have fulfilled our other ethical obligations in accordance with these requirements and the IESBA Code. During the audit, the key statutory auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Statutory Auditors Act and the EU Regulation.

We believe that the research evidence we have obtained is sufficient and appropriate to form the basis for our opinion.

Key issues of the study

The key audit matters are those that, in our professional judgment, were the most significant during the audit of the financial statements for the current reporting period. They shall include the most significant risks of material misstatement assessed, including the assessed risks of material misstatement due to fraud. We have addressed these issues in the context of our audit of the financial statements as a whole and in formulating our opinion and have summarised our response to these risks and, where we deemed it appropriate, provided key insights related to these risks. We do not express a separate opinion on these matters.

The key issue of the study	How our study addressed this issue
Revenue recognition	

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Eurocash S.A. presents in the financial statements sales revenues in the total amount of approximately PLN 16,116 million.

The company sells goods to many customers using various sales channels distributed among individual organizational units within several operating segments. These revenues are reduced by discounts, bonuses, incentives and rebates, the size of which depends on m.in turnover. Revenues are one of the key indicators for the Company's Management Board to measure the effectiveness of operations. Due to the multitude and diversity of contractual terms and markets in which the Company operates, the determinants for revenue recognition, such as the estimation of discounts, incentives and rebates determined based on the level of sales, as well as the assessment of potential returns, are complex.

Bearing in mind the materiality of the amounts and the complexity of the estimates, we considered the above issue to be a key issue of the study.

The Company's disclosures regarding the recognition of revenue are set out in sections 2.1.5. "Judgments, estimates and assumptions", 2.2.18 "Trade receivables and other short-term receivables", 2.2.27 "Revenue from sales" of accounting policies and in notes No 14 "Trade receivables and other receivables" and 27 "Sales revenues generated during the reporting period" in the financial statements.

The audit procedures included an understanding of the Company's accounting policy regarding the recognition and measurement of revenues and an assessment of its compliance with IFRS 15 Revenue from contracts with clients, including the identification of contracts with customers and performance obligations and the allocation of the transaction price to contractual obligations.

We also assessed the Company's internal controls regarding the sales process and the moment of recognition and measurement of recognized revenues.

We analyzed transactions before and after the balance sheet date, credit notes and adjustments issued after the balance sheet date, and estimates of uninvoiced adjustments to transaction prices resulting from bonuses to recipients in order to determine the correctness of the valuation of recognized revenue.

We also reviewed the key terms of customer contracts to assess whether the amounts recognised as commercial revenue were correct and recognised at the relevant time.

We also conducted appropriate analytical procedures and reliability tests for selected revenue accounts and trading settlements, including external confirmation of receivables balances.

We have also considered the adequacy of the disclosures in the Company's financial statements regarding revenues.

Recognition of bonuses and discounts from suppliers and related settlements

In the financial statements, the Company presents the cost of sales in the amount of approximately PLN 14,346 million.

The Company receives from suppliers various types of bonuses, bonuses and discounts as well as price reductions that reduce the price of goods purchased by the Company. Most of them are settled with suppliers during the financial year. As at 31 December 2021, unsettled bonuses, discounts and bonuses with suppliers amounted to approximately PLN 330 million.

Bonuses, rebates and related settlements were relevant to our investigation because the recognition of adjustments to the cost of inventories and related settlements requires management judgement, including the nature and level of the Company's obligations under purchase agreements, estimates of purchase execution and sales volumes at the balance sheet date, and the allocation of estimated cost-to-inventory reductions and cost of sales in the period.

The audit procedures included an understanding of the Company's accounting policy for determining the purchase price of goods and the cost of sales and an assessment of the compliance of these policies with applicable accounting standards.

We also assessed the Company's internal controls regarding the identification and valuation of adjustments to contractual obligations and their allocation to inventories and cost of sales.

For the selected sample, we conducted tests of transactions registered during the year consisting in agreeing these items to the source documentation of purchases. We also analyzed the positions open to selected suppliers at the balance sheet date on the basis of arrangements with suppliers, recalculated the amount of bonuses based on contractual conditions confirmed by suppliers or agreement to settlements made after the end

Given the significant amount of these settlements and the complexity of the estimates, we assessed this area as a key issue of the study. Disclosures regarding settlements with suppliers are included in sections 2.2.18 "Trade receivables and other current receivables" and 2.2.24 "Current liabilities" of the accounting policy and are presented in notes No. 14 "Trade receivables and other receivables" and No. 20 "Trade and other liabilities" in the financial statements.	of the year, and performed tests of the correctness of assigning settlements to a given reporting period based on the analysis of the fulfillment of contractual obligations by the balance sheet date. We also assessed the reliability of management estimates based on an analysis of the implementation in the current year of settlement items recognized in the previous reporting period. We also considered the adequacy of the Company's disclosures for cost of sales, inventories and related settlements.
Valuation and existence of inventories	
As at 31 December 2021, the value of inventories reported in the statement of financial position was PLN 956 million while the impairment loss on inventories as at that date was PLN 25 million. 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 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. Inventory-related disclosures, including those referring to inventory valuation at net realisable value, were presented in the point 2.2.15 „Inventory" of the accounting principles and note 13 "Inventories" to the financial statements.	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 and performed other substantive audit procedures. 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: - 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. We also considered the adequacy of the Company's disclosures in respect of inventories.
Going concern – liquidity risk analysis	
The attached financial statements were prepared on the assumption that the Company would continue their business activity in the foreseeable future, i.e. for a period of at least 12 months from the end of the reporting period.	As part of our audit, we performed, among others, the following procedures: - we have read the analysis of the Management Board and discussed with the Management Board of the Parent Company the results of the continuation of operations

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Due to the circumstances described in point 2.1.7. 'going concern' in the consolidated financial statements of the factors affecting the financing structure and financial liquidity of the Group (the Company and its subsidiaries), which occurred in the financial year ended 31 December 2021 and after the balance sheet date, including, among others, a reduction in the available limits of reverse factoring, availability of short-term loans, ongoing negotiations on commercial terms with suppliers, analysis of the possibility of obtaining new forms of financing in financial institutions, the lack of realisation of budgets in the Retail segment, and in connection with the ongoing SARS-Cov-2 coronavirus epidemic, the Management Board of the Parent Company assessed the impact of the circumstances on the going concern, including future cash flows, at the time of preparation of the consolidated financial statements, by analyzing possible negative scenarios of the impact of the market situation on the future cash flows of the Group as a whole.

Given the importance of liquidity and going concern and the fact that management's assessment includes estimates, plans and forward-looking assumptions, we considered this to be a key audit matter.

In point 2.1.7 "Continuation of operations" of general information to the consolidated financial statements, the Management Board of the Parent Company disclosed the factors and activities taken underlying the the preparation of the consolidated financial statements of the Group on the assumption of going concern, as well as in note No. 37 "Financial risk management" disclosures regarding financial risk, including liquidity risk, were included.

analysis carried out by the Management Board, including the Management Board's assessment as to the possibility of renewing credit lines and reverse factoring, as well as the impact of the effects of the SARS-Cov-2 coronavirus epidemic and the war in Ukraine on the planned cash flows, made on the basis of an analysis of negative scenarios that may affect the company's and the Group's operations after the balance sheet date,

- we analyzed the budget and forecasts of short-term cash flows for 2022 and the first quarter of 2023, taking into account the assumptions of alternative scenarios (the so-called alternative scenario assumptions - stress tests) and we have assessed the assumptions of alternative scenarios adopted by the Management Board of the Parent Company,

- we have read the terms of loan agreements and the amounts of financing available to the Group, including the terms of agreements for credit and factoring facilities, and we have read the correspondence with financial institutions regarding the possibility of obtaining new lines of financing in the form of receivables factoring lines, new reverse factoring lines as well as the extension of selected short-term credit limits.

- we have read the business plans of the Management Board of the Parent Company and the minutes of the meetings of the Management Board, the Supervisory Board and the General Meetings, as well as we have discussed these plans with the Management Board of the Parent Company and assessed the reliability of the data included for the purpose of preparing forecasts and determined whether there is a rational justification for the assumptions underlying the preparation of forecasts,

- we have performed reconciliation procedures for current level of cash as at 31 March 2022, the availability of financing within the Group, the actions taken to maintain financing for the activities of the Parent Company and the Group companies and obtaining new forms of financing in the form of receivables factoring and reverse factoring,

- we have performed procedures for reconciliation of selected items of the Group's financial position statement as at 31 March 2022 and other procedures for reviewing events after the balance sheet date, including discussion with the Management Board of the Parent Company of possible events after the balance sheet date that could materially affect and modify the going concern assumption and obtained relevant written statements,

- with the support of specialists in the field of financial modeling, we have verified the financial models prepared by the Management Board, including cash flows and the level of debt of the Group, including alternative scenarios including reductions in trade credit limits, available credit lines and reverse factoring limits, as well as reductions in sales and gross margins,

	- we have obtained written statements of the Management Board of the Company regarding the prepared plans and assumptions, - we have considered whether the assessment made by the Management Board of the Parent Company takes into account all material information that we have obtained as a result of the audit until the date of our audit opinion. We have assessed the adequacy of disclosures related to the liquidity of the Group (the Company and its subsidiaries) and the assumption of the Group's continued operations included in the consolidated financial statements,
Impairment of investments in subsidiaries, associates, goodwill and other intangible and property, plant and equipment and expected credit losses due to financial guarantees granted to subsidiaries The carrying amount of investments in subsidiaries and associates included in the statement of financial position of the Company as at 31 December 2021 amounts to PLN 1,551 million and constitutes 23% of total total assets, while the carrying amount of goodwill and other intangible assets, including trademarks with an indefinite useful life, amounted to PLN 1,793 million and constituted 27% of total total assets as at that date. The Company recognises investments in subsidiaries and goodwill and other intangible assets at cost or by applying the equity method to investments in associates, including any impairment losses. In accordance with International Accounting Standard 36 Impairment of assets ("IAS 36"), the Management Board of the Company, if it identifies indicators of impairment, is obliged to conduct an impairment test for assets. The impairment test for investments in subsidiaries, associates and goodwill and other intangible assets is carried out by comparing the book value of the investment or asset with its recoverable amount. The Company is also the member of the group cashpooling settlement system. The methodology for calculating impairment in relation to financial guarantees is based on the expected credit loss model in accordance with International Financial Reporting Standard 9 Financial instruments („MSSF 9"). Impairment of investments and goodwill and intangible assets as well as expected credit loss due to financial guarantees granted to the subsidiaries is a key audit matter due to the high value of these items in the financial statements and an important element of estimate and professional judgment of the Company's Management Board. The areas of respect and professional judgment of the Company's Management Board concern, among others:	Our procedures related to impairment of investments in subsidiaries, associates, goodwill and other intangible assets and the expected credit loss on financial guarantees for these entities included, among others: - understanding and analysis of the processes functioning in the Company regarding the recognition of investments in subsidiaries, associates, goodwill and other intangible assets and financial guarantees for subsidiaries, as well as accounting policy, - understanding and assessing the appropriateness of identifying independent CGU and allocating individual assets to these unite - understanding and analysis of the process of identification by the Management Board of the indicators of impairment of investments in subsidiaries, associates, goodwill and other intangible assets with indefinite useful live, as well as analysis of the identification of impairment indicators made by the Management Board, - understanding and analysis of the process of determining a significant increase in credit risk related to financial guarantees granted, as well as analysis of the Management Board's assessment whether there has been a significant increase in credit risk since initial recognition (default), - analysis of the methodology and arithmetic correctness of the model used to determine the value in use of cash flow generating units and the model used to determine the expected credit losses for financial guarantees, - analysis of the methodology and arithmetic correctness of the valuations prepared by the Management Board in the case of using fair value less costs of disposal as the recoverable amount of specific assets, - analysis of the Management Board's assumptions regarding financial forecasts used in financial models,

- determination of assets and cash flow generating units in accordance with IAS 36
- identification of indicators of impairment of assets,
- estimation of future cash flows from assets, depending on the Group's strategy, including the rate of change in revenues and the level of margin realized in the forecast period, as well as the growth rate in the residual period, depending on the expected market conditions and the general macroeconomic situation affecting the assets,
- in selected cases, estimate the fair value less disposal costs when such a value is taken as recoverable amount of assets in accordance with IAS 36
- the determination of an appropriate discount rate, including a risk-free rate, of the beta parameter,
- determining possible cash flow scenarios resulting from financial guarantee agreements,
- determination of the credit risk associated with the financial guarantees granted.

The Company has included a description of its accounting policy for the recognition of investments in subsidiaries, associates and goodwill and other intangible assets and a description of its accounting policy for the classification and measurement of financial assets, including the measurement of expected credit losses. in sections 2.1.5 "Judgments, estimates and assumptions", point 2.1.5 of the accounting policy "Intangible assets" and point 2.2.11 of the accounting policy "Shares in subsidiaries, associates and jointly controlled entities" and point 2.2.21 "Impairment losses on assets". Disclosures regarding the impairment test of assets are presented in note 6 "Tests for impairment of assets", where the key assumptions and test results are explained along with sensitivity analysis.

- an assessment of the appropriateness of the discount rate used in financial models,
- analysis of key assumptions underlying the forecasted cash flows,
- analysis of key measurement parameters when fair value less costs of disposal is used as the basis for recoverable amount
- analysis of the sensitivity of test results to the change of key parameters.

In addition, we assessed the adequacy and completeness of the disclosures made, including the sensitivity analysis, presented in Note 6 "Tests for impairment of assets".

Uncertain tax positions

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.

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

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.

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

settlements, in particular in relation to group's restructurings and reorganizations, contributions etc. Due to complexity of the tax regulations the process of interpretation of settlements between related parties is complicated and requires assumptions and judgments. Taking this into account, the interpretation taken by external authorities (including tax authorities), may differ from interpretation assumed by Management Board. 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. 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. The Company's disclosures about uncertain tax positions are included in point 2.2.31 of the accounting principles "Uncertainties related to tax settlements" and note 24 "Income tax" to the financial statements.	the tax law as well as current practice and legal interpretations. 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. We assessed the disclosures related to the tax settlements, as well as Company's uncertain tax positions.
Recognition and measurement of contracts in accordance with IFRS 16 "Leases" At 31 December 2021, the value of right-of-use assets amounted to PLN 830 million. At 31 December 2021, the value of leasing liabilities amounted to PLN 896 million. Recognition of leases in accordance with International Financial Reporting Standard 16 Leases ("IFRS 16") requires an analysis of contracts, as well as a number of judgments and estimates related to determining whether a contract is within the scope of IFRS 16 and how it should be recognised in accordance with this Standard (m.in determining the scope of application of the Standard, lease periods, lease payments or discount rates). Disclosures relating to right-of-use assets and leasing liabilities related to the use of IFRS 16 are included note 2.2.8 "Right-of-use assets", note 24 "Lease liabilities" of additional information to the separate financial statements. Disclosures relating to relevant accounting policies for leasing, including key judgments and estimates, are	As part of the audit of the financial statements, we analysed accounting policies for the recognition of contracts and business relationships falling within the scope of IFRS 16 and related relevant judgments and estimates, in particular regarding: 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, • inclusion of changes to leasing agreements. • In addition, our test procedures also included, but are not limited to: • understanding the process of recognising contracts falling within the scope of IFRS 16 and assessing key

included in the point 2.2.7 "Leases" and 2.2.8 "Right-of-use assets" of accounting principles and in point 2.1.5 "Judgment and assumption".	control mechanisms aimed at ensuring the completeness of the identification of contracts falling within the scope of IFRS 16 and amendments to contracts, as well as proper identification of the key parameters of these agreements, • conducting reliability tests for a sample of contracts in the calculation of the lease liability and the right-of-use asset, including parameters regarding (1) the duration of lease agreements in the context of provisions regarding the options for their extension and termination, (2) discount rates adopted, (3) periods in which depreciation of assets from the right of use are made, • conducting reliability tests for a sample of contracts in order to verify the correctness of the parameters used to calculate the lease liability and the right of use assets; • analysis of obtaining detailed statements of the Company's Management Board as to the completeness and correctness of the data provided to us and significant assumptions. We also assessed the adequacy and completeness of disclosures in the financial statements in relation to the guidance contained in IFRS 16, including key judgments regarding the recognition of lease agreements and the accounting policies applied.

Responsibility of the Management Board and the Supervisory Board for financial statements

The Management Board of the Company is responsible for preparing, on the basis of properly kept accounting books, financial statements that present a fair and clear view of the property and financial position and financial result of the Company in accordance with the International Financial Reporting Standards approved by the European Union, adopted accounting principles (policy), applicable law and the Company's Articles of Association, as well as for internal control, which the Management Board The Company deems it necessary to enable the preparation of financial statements that do not contain material misstatement due to fraud or error.

When preparing the financial statements, the Management Board of the Company is responsible for assessing the Company's ability to continue as a going concern, disclosing, if applicable, going concerned and adopting the going concern principle as the basis for accounting, except when the Management Board either intends to liquidate the Company or cease operations or has no viable alternative to liquidation or cessation of operations.

The Management Board of the Company and members Supervisory Board are obliged to ensure that the financial statements meet the requirements provided for in the Accounting Act. Members of the Supervisory Board are responsible for overseeing the financial reporting process.

Statutory auditor's responsibility for auditing the financial statements

Our objectives are to obtain reasonable assurance that the financial statements as a whole do not contain material misstatement caused by fraud or error and to issue an audit report containing our opinion. Reasonable certainty is a high level of certainty, but it does not guarantee that the test carried out in accordance with the KSB will always detect the existing significant distortion. Distortions may be caused by fraud or error and shall be considered material if they can reasonably be expected to affect, individually or in combination, the economic decisions of users taken on the basis of those accounts.

The concept of materiality is used by the statutory auditor both in planning and conducting the audit and in assessing the impact of the distortions identified during the audit and unadjusted distortions, if any, on the financial statements, as well as in formulating the auditor's opinion. Accordingly, all opinions and statements contained in the audit report are expressed taking into account the qualitative and valuable level of materiality determined in accordance with the audit standards and the professional judgement of the statutory auditor.

The scope of the audit does not include assurances as to the future profitability of the Company or the efficiency or effectiveness of the conduct of its affairs by the Management Board of the Company now or in the future.

During the KSB-compliant examination, we use professional judgment and maintain professional skepticism, as well as:

- we identify and assess risks of materially distorted financial statements due to fraud or error, design and conduct audit procedures corresponding to those risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our opinion. The risk of not detecting a material distortion resulting from fraud is greater than that resulting from an error, since the fraud may involve collusion, falsification, deliberate omissions, misrepresentation or circumvention of internal control,
- we gain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Company's internal control,
- we assess the appropriateness of the accounting policies applied and the legitimacy of accounting estimates and related disclosures made by the Management Board of the Company,
- we draw a conclusion on the appropriateness of the Use of the Going concern principle by the Management Board of the Company as the basis for accounting and, on the basis of the evidence obtained, the examination of whether there is material uncertainty 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 there is material uncertainty, we are required to draw the attention in our auditor's report to related disclosures in the financial statements or, if such disclosures are inadequate, we modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report, however, future events or conditions may cause the Company to cease to operate,
- we assess the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions and events in a manner that ensures a fair presentation.

We provide the Audit Committee with information about, among other things, the planned scope and timing of the audit and the significant findings of the audit, including any significant internal control weaknesses that we identify during the audit.

We declare to the Audit Committee that we have complied with the applicable ethical requirements for independence and that we will inform them of all affiliations and other matters that could reasonably be considered to pose a threat to our independence and, where applicable, we will inform them of the actions taken to eliminate threats or the safeguards in place.

Of the matters referred to the Audit Committee, we identified those matters that were most significant during the audit of the financial statements for the current reporting period and therefore considered them to be the key issues of the audit. We shall describe these matters in our auditor's report unless laws or regulations prohibit their public disclosure or where, in exceptional circumstances, we determine that the issue should not be presented in our report as the negative consequences could reasonably be expected to outweigh the public interest benefits of such information.

Other information, including a report on the Company's activities

Other information includes the report on the Company's activities for the period from January 1, 2021 to December 31, 2021 (the "Report on the Company's activities") together with the statement on the application of corporate governance and a statement on non-financial information and the Annual Report for the financial year ended December 31, 2021 (the "Annual Report") (together the "Other Information"). Other information does not include the financial statements and the auditor's report on them.

Responsibility of the Management Board and the Supervisory Board

The Management Board of the Company is responsible for preparing Other Information in accordance with the law.

The Management Board of the Company and the members of the Supervisory Board are obliged to ensure that the Report on the Company's activities meets the requirements provided for in the Act. about accounting.

Liability of the statutory auditor

Our audit opinion does not include Other Information. In connection with the audit of the financial statements, it is our responsibility to review the Other Information, and in so doing, to consider whether the Other Information is not materially inconsistent with the financial statements or our knowledge acquired during the audit, or otherwise appears to be materially distorted. If, on the basis of the work done, we find significant distortions in Other Information, we are obliged to inform you about it in our audit report. It is also our duty, in accordance with the requirements of the Act on Statutory Auditors, to issue an opinion on whether the Report on the Company's activities has been prepared in accordance with the regulations and whether it is consistent with the information contained in the financial statements.

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

Opinion on the Report on the Company's Activities

On the basis of the work performed during the study, in our opinion, the Report on the Company's activities:

- has been prepared in accordance with Article 49 of the Accounting Act and § 70 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognising as equivalent information required by the laws of a non-member state (the "Current Information Regulation"),
- is consistent with the information contained in the financial statements.

In addition, in the light of the knowledge about the Company and its surroundings obtained during our research, we declare that we have not identified any significant distortions in the Company's Activity Report.

Opinion on the corporate governance statement

In our opinion, in the statement on the application of corporate governance, the Company included the information specified in § 70 section 6 point 5 of the Current Information Regulation.

In addition, in our view, the information referred to in Paragraph 70(6)(5)(f.c), (h) and (i) of that regulation contained in the the corporate governance statements shall comply with the applicable rules and the information contained in the financial statements.

Information on non-financial information

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

We have not performed any assurance procedures on the statement on non-financial information and do not provide any assurance thereon.

Statement on non-audit services provided

To the best of our knowledge and belief, we declare that the services we have provided to the Company and its subsidiaries comply with the law and regulations in force in Poland and that no non-audit services have been provided, which are prohibited under Article 5(1) of the EU Regulation and Article 136 of the Act on Statutory Auditors. Non-audit services that we provided to the Company and its subsidiaries in the audited reporting period were listed in the Company's activity report.

Selection of an audit firm

We were elected to audit the Company's financial statements for the first time by the resolution of the Supervisory Board of 25 April 2017 and again by the resolution of 9 May 2019. We examine the Company's financial statements continuously starting from the financial year ended 31 December 2017; that is, for a period of five consecutive years.

Warsaw, on 14 April 2022

Key auditor

Robert Klimacki

Auditor

register no.: 90055

acting on behalf of:

Ernst & Young Audit Poland

limited liability company sp. k.

Rondo ONZ 1, 00-124 Warsaw
number on the list of audit firms: 130

EUROCASH S.A.

SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

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, 14 April 2022

Table of contents

1. GENERAL INFORMATION

1.1. INFORMATION ABOUT THE COMPANY

1.1.1. Name

EUROCASH Spółka Akcyjna ("Company")

1.1.2. Registered office

ul. Wiśniowa 11, 62-052 Komorniki

1.1.3. Core business

Non-specialized wholesale trade (PKD 4690Z)

1.1.4. Registry court

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

1.1.5. Period for which the company was established

Indefinite

1.1.6. Period covered by the financial statements

The reporting period started 1 January 2021 and ended 31 December 2021, and the comparable period is the period from 1 January 2020 to 31 December 2020.
The consolidated statement of financial position has been prepared as at 31 December 2021, and the comparative figures are presented as at 31 December 2020.
The Company prepared consolidated financial statements for the year ended on 31 December 2021, which was approved for publication on 14 April 2022.

1.2. BODIES OF THE COMPANY

1.2.1. MANAGEMENT BOARD

As at 31 December 2021, the Company's Management Board consisted of the following members:

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

1.2.2. SUPERVISORY BOARD

As at 31 December 2021, the Company's Supervisory Board consisted of the following members:

Hans Joachim Körber – President of the Supervisory Board,

Francisco José Valente Hipólito dos Santos – Member of the Supervisory Board,

Jorge Mora – Member of the Supervisory Board,

Renato Arie – Member of the Supervisory Board,

Przemysław Budkowski – Member of the Supervisory Board.

1.2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

By the resolution of the Supervisory Board of 16 December 2021, there were changes in the Management Board of Eurocash S.A. consisting in the change of the position of Mr. Luis Amaral from the President of the Management Board to a Member of the Management Board, with effect from 1 January 2022, and the appointment of Mr. Paweł Surówka to the Management Board of the Company, to the position of President of the Management Board, with effect from 1 January 2022.

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

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

All amounts are expressed in Polish zloty (unless indicated otherwise)

SEPARATE INCOME STATEMENT FOR THE PERIOD FROM 01.01.2021 TO 31.12.2021

	Note	for the period from 01.01.2021 to 31.12.2021	for the period from 01.01.2020 to 31.12.2020 restated*
Sales		**16 116 464 851**	**16 109 125 701**
Sales of goods	26	16 067 535 048	16 056 012 702
Sales of services	26	48 929 803	53 112 999
Costs of sales		**(14 346 179 591)**	**(14 239 201 722)**
Costs of goods sold		(14 346 179 591)	(14 239 201 722)
Gross profit (loss)		**1 770 285 259**	**1 869 923 978**
Selling expenses	27	(1 333 918 484)	(1 375 545 096)
General and administrative expenses	27	(257 629 203)	(262 561 835)
Profit (loss) on sales		**178 737 572**	**231 817 048**
Other operating income	28	55 594 386	70 971 941
Other operating expenses	28	(8 245 533)	(68 445 563)
Operating profit (loss)		**226 086 425**	**234 343 426**
Financial income	29	195 701 483	63 470 997
Financial costs	29	(247 381 847)	(154 795 646)
Profit (loss) before tax		**174 406 061**	**143 018 778**
Income tax expense	24	(37 392 569)	(32 798 154)
Profit (loss) for the period		**137 013 492**	**110 220 623**

* Note 1

EARNINGS PER SHARE

		PLN / akcję	PLN / akcję
Weighted average number of shares	30	139 163 286	139 163 286
Weighted average diluted number of shares	30	139 163 286	139 163 286
- basic		0,98	0,79
- diluted		0,98	0,79

All amounts are expressed in Polish zloty (unless indicated otherwise)

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01.2021 TO 31.12.2021

	for the period from 01.01.2021 to 31.12.2021	for the period from 01.01.2020 to 31.12.2020 restated*
Profit (loss) for the period	**137 013 492**	**110 220 623**
Other comprehensive income for the period	31 299 360	(16 406 815)
Items that may be subsequently reclassified to profit or loss:		
- The result on hedge accounting with the tax effect:	31 299 360	(16 406 815)
Total comprehensive income for the period	**168 312 853**	**93 813 808**

All amounts are expressed in Polish zloty (unless indicated otherwise)

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31.12.2021

Assets	*Note*	as at 31.12.2021	as at 31.12.2020
			restated*
Non-current assets		**4 577 552 123**	**4 574 824 651**
Goodwill	3	1 204 087 310	1 204 087 310
Intangible assets	3	589 060 258	596 008 119
Property, plant and equipment	4	393 578 904	433 767 430
Right of use assets	5	830 318 024	876 308 646
Investment property	7	913 684	925 711
Investments in subsidiary companies	8	1 546 474 327	1 445 256 408
Investments in equity accounted investees	9	4 590 840	4 590 840
Other long-term investments	10	4 202 474	57 633
Long-term receivables	11	1 424 348	4 557 218
Other long-term prepayments	12	2 901 955	9 265 337
Current assets		**2 092 999 643**	**1 913 926 278**
Inventories	13	955 912 870	770 759 595
Trade receivables	14	995 839 265	1 063 875 784
Current tax receivables	14	0	17 622 945
Other short-term receivables	14	83 241 466	18 208 502
Other short-term financial assets	15	15 360 196	310 285
Short-term prepayments	16	23 383 276	22 539 374
Cash and cash equivalents	17	19 262 571	20 609 792
Total assets		**6 670 551 766**	**6 488 750 929**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Equity and liabilities	*Note*	as at 31.12.2021	as at 31.12.2020
			restated*
Equity		**1 301 747 006**	**1 200 232 530**
Share capital	18	139 163 286	139 163 286
Reserve capital		940 850 351	878 713 695
Valuation equity of hedging transactions		9 564 857	(21 734 503)
Retained earnings		212 168 511	204 090 052
Accumulated profit / loss from previous years		75 155 019	93 869 429
Profit (loss) for the period		137 013 492	110 220 623
Liabilities		**5 368 804 760**	**5 288 518 399**
Non-current liabilities		**1 458 363 469**	**1 370 141 883**
Long-term loans and borrowings	21	571 020 000	464 685 000
Other long-term financial liabilities	22	125 000 000	130 683 208
Long-term lease liabilities	23	721 847 018	760 125 223
Other long-term liabilities	21	15 497 004	432 070
Deferred tax liabilities	25	20 757 585	9 416 458
Employee benefits	19	4 241 863	4 799 923
Current liabilities		**3 910 441 291**	**3 918 376 516**
Loans and borrowings	21	456 133 712	742 195 698
Other short-term financial liabilities	22	16 763 774	31 839 487
Short-term lease liabilities	23	174 243 883	171 270 476
Trade payables	20	2 800 868 534	2 641 214 778
Current tax liabilities	20	6 382 004	0
Other short-term payables	20	184 477 060	65 340 096
Current employee benefits	19	92 123 119	92 466 961
Provisions	19	179 449 205	174 049 021
Total equity and liabilities		**6 670 551 766**	**6 488 750 929**

* Note 1

All amounts are expressed in Polish zloty (unless indicated otherwise)

SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01.2021 TO 31.12.2021

	for the period from 01.01.2021 to 31.12.2021	for the period from 01.01.2020 to 31.12.2020
Cash flow from operating activities		*restated **
Profit (loss) before tax	**174 406 061**	**143 018 778**
Adjustments for:	**355 330 027**	**380 725 861**
Depreciation and amortization	297 156 531	282 844 788
Gain (loss) on sale of property, plant and equipment	148 638 130	23 762 249
Profit (loss) on exchange rates	1 241 933	25 546 618
Dividends received	(164 116 680)	(36 703 659)
Interest expenses	75 903 799	89 217 091
Interest received	(3 493 687)	(3 941 226)
Operating cash before changes in working capital	**529 736 088**	**523 744 639**
Changes in inventory	(185 155 289)	35 264 642
Changes in receivables	8 299 539	54 654 988
Changes in payables	176 928 581	(207 684 136)
Changes in provisions and employee benefits	5 765 521	64 324 155
Operating cash	**535 574 441**	**470 304 286**
Interest received	2 583 900	2 855 915
Interest paid	(11 975 115)	(32 123 777)
Income tax paid	(10 582 191)	(49 335 813)
Net cash from operating activities	**515 601 035**	**391 700 611**
Cash flow from investing activities		
Aquisition of intangible assets	(48 522 833)	(42 782 746)
Proceeds from sale of intangible assets, property, plant and equipment	4 628 964	4 465
Aquisition of property, plant and equipment tangible fixed assets	(46 614 144)	(54 808 732)
Proceeds from sale of property, plant and equipment	21 989 942	10 040 964
Share capital increase in a subsidiary	(55 000 000)	0
Dividends received	164 116 680	36 703 659
Aquisition of subsidiaries	(86 217 919)	(156 879 077)
Loans granted	(1 718 200)	90 743
Repayment received of given loans	0	33 540 088
Interest received	1 038 640	1 014 138
Net cash used in investing activities	**(46 298 870)**	**(173 076 499)**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Cash flow from financing activities		
Income/expenses for other financial liabilities	339 231	(3 878 336)
Issue of financial debt securities	0	125 000 000
Proceeds from loans and borrowings	182 006 897	369 323 121
Repayment of borrowings	(361 733 882)	(504 552 310)
Expenses for liabilities from leasing	(162 098 240)	(146 979 043)
Other interests	(41 733 718)	(42 786 344)
Interests on loans and borrowings	(20 631 295)	(25 117 985)
Dividends paid	(66 798 377)	0
Net cash used in financing activities	**(470 649 385)**	**(228 990 897)**
Net change in cash and cash equivalents	**(1 347 221)**	**(10 366 785)**
Cash and cash equivalents at the beginning of the period	20 609 792	30 976 577
Cash and cash equivalents at the end of the period	**19 262 571**	**20 609 793**

* Note 1

All amounts are expressed in Polish zloty (unless indicated otherwise)

SEPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 01.01.2021 TO 31.12.2021

	Share capital	Reserve capital	Hedge reserve	Retained earnings	**Total**
Changes in equity in the period from 01.01 to 31.12.2020					
Balance as at 01.01.2020 after changes	**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 *	0	0	0	110 220 623	**110 220 623**
Net profit presented directly in equity	0	0	(16 406 815)	0	**(16 406 815)**
Total comprehensive income for the period from 01.01. to 31.12.2020 *	**0**	**0**	**(16 406 815)**	**110 220 623**	**93 813 808**
Transfer to reserve capital		174 612 455	0	(174 612 455)	**0**
Resignation from the incentive program		(15 680 000)	0	15 680 000	**0**
Merger with subsidiaries		23 243 466	0	(921 926)	**22 321 539**
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)**	**204 090 052**	**1 200 232 530**
Changes in equity in the period from 01.01 to 31.12.2021					
Balance as at 01.01.2021	**139 163 286**	**878 713 695**	**(21 734 503)**	**204 090 052**	**1 200 232 530**
Profit for the period from 01.01. to 31.12.2021	0	0	0	137 013 492	**137 013 492**
Other comprehensive income	0	0	31 299 360	0	**31 299 360**
Total comprehensive income for the period from 01.01. to 31.12.2021	**0**	**0**	**31 299 360**	**137 013 492**	**168 312 853**
Dividends paid	0		0	(66 798 377)	**(66 798 377)**
Transfer to reserve capital	0	62 136 656	0	(62 136 656)	**0**
Total transaction with Owners of the Company recognized directly in equity	**0**	**62 136 656**	**0**	**(128 935 033)**	**(66 798 377)**
Balance as at 31.12.2021	**139 163 286**	**940 850 351**	**9 564 857**	**212 168 512**	**1 301 747 006**

* restated

2. NOTES TO SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2021 TO 31.12.2021

2.1. GENERAL INFORMATION

2.1.1. PUBLICATION OF THE FINANCIAL STATEMENT

According to the resolution of the Management Board dated 14 April 2022, separate financial statements of Eurocash S.A. for the period from 1 January 2021 to 31 December 2021 were authorized for publication.

According to the information included in current report no.4/2022, dated 9 March 2022, sent to the Polish Financial Supervision Authority, Eurocash S.A. publishes its separate financial statements on 14 April 2022.

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

2.1.2. 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 2021 and in the separate financial statements of Eurocash S.A. as at and for the year ended 31 December 2020, 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.

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

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

The changed standards and interpretations that are applied for the first time in 2021 do not have a significant impact on the annual financial statements of the Group.

- amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform - Stage 2

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

- a practical solution requiring that changes to the contract or changes to cash flows that are a direct consequence of the reform should be treated as changes in a variable interest rate, which is equivalent to a change in the market interest rate,
- permission to adjust the hedge accounting documentation in terms of designating and documenting hedging relationships without dissolving them, if these changes were directly required by the IBOR reform,
- granting a temporary exemption from the requirement to meet the separate identification criterion, if the RFR instrument has been designated as a hedge of the risk component. The IBOR reform with regard to WIBOR was completed in 2021. The method of determining WIBOR was changed, but the WIBOR itself was not replaced with a different reference rate. The possible impact of the reform was reflected in the prospective adjustment of the EIR along with fluctuations in the actual WIBOR. The Company has signed annexes with selected Banks, which regulate the principles of exchanging the ratio in the event of discontinuation of the WIBOR rate.

– amendments to IFRS 4

The amendments move the end date of the temporary exemption from IFRS 9 from 1 January 2021 to January 1, 2023 to align with the effective date of IFRS 17. The amendments provide for optional solutions to reduce the impact of different effective dates of IFRS 9 and IFRS 17 .

– amendment to IFRS 16: Covid-19 Rent Loans after June 30, 2021

The amendment extends the practical arrangement for lessees relating to leasing contracts with rent reductions granted directly in connection with the Covid 19 pandemic and payments originally due on and including 30 June 2021, to contracts with payments originally due on and including 30 June 2022.
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 the 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 (published on 30 January 2014) - in accordance with the decision of the European Commission, the approval process of the standard in its preliminary version will not be initiated before the publication of the final version - until the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on or after 1 January 2016;
– Amendments to IFRS 10 and IAS 28: Transactions of sale or contribution of assets between an investor and its associate or joint venture (published on 11 September 2014) - the work leading to the approval of these amendments has been postponed indefinitely by the EU - the effective date has been postponed by the IASB for an indefinite period;
– IFRS 17 Insurance Contracts (published on 18 May 2017), including Amendments to IFRS 17 (published on 25 June 2020) - applicable to annual periods 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) - until the date of approval of these financial statements not approved by the EU - applicable for annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 3: Amendments to references to the Conceptual Framework (published on 14 May 2020) - applicable to annual periods beginning on or after 1 January 2022;
- Amendments to IAS 16: Property, plant and equipment: revenues achieved before putting into use (published on 14 May 2020) - applicable to annual periods beginning on 1 January 2022 or later;
- Amendments to IAS 37: Onerous Contracts - Costs of Meeting Contractual Obligations (published on 14 May 2020) - applicable to annual periods beginning on or after 1 January 2022;
- Amendments resulting from the review of IFRS 2018-2020 (published on 14 May 2020) - applicable to annual periods beginning on or after 1 January 2022;
- Amendments to IAS 1 and Practice Statement 2: Disclosure of information regarding accounting principles (policy) (published on 12 February 2021) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2023 or later;
- Amendments to IAS 8: Definition of Accounting Estimates (published on 12 February 2021) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after 1 January 2023;
- Amendments to IAS 12: Deferred tax on assets and liabilities arising from a single transaction (published on 7 May 2021) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after 1 January 2023 ;
- Amendments to IFRS 17 Insurance Contracts: First application of IFRS 17 and IFRS 9 - Comparative information (published on 9 December 2021) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2023 or later.

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. The Company intends to implement the provisions of the standards for the first time when they come into force, provided that they are significant for the company.

2.1.4.FUNCTIONAL AND PRESENTATION CURRENCY ROUNDINGS

The functional currency and the presentation currency of these separate financial statements is Polish zloty, and all amounts are rounded to full zlotys (unless indicated otherwise).

2.1.5.JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with UE IFRSs requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are made based on historical experience and other factors accepted as reasonable in given circumstances, and the results of estimates and 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.

Control over the Arhelan Company

On 09.11.2021, Eurocash acquired 49% of shares in Arhelan Sp.z o.o. ("Arhelan") and took control of her. Pursuant to the Investment Agreement concluded between Eurocash and the selling party of 11 March 2021, the acquisition by Eurocash of a block of shares representing 1% of Arhelan's share capital (as a result of which Eurocash will hold a total of 50% of Arhelan shares) will take place after the balance sheet date, in 2022 (the acquisition of is definitive).

Eurocash has the right to appoint (personal right) two out of four members of the Arhelan Management Board (50% of the composition).

In assessing the exercise of control, the Management Board, in accordance with the requirements of IFRS 10, considered the exercise of power, exposure to financial performance, and the relationship between power and financial performance:

I. Power over the individual

1. Franchise agreement

The main areas of Arhelan's business affecting Eurocash's return on investment are focused on the purchasing process and logistics. In connection with the conclusion by Arhelan of a franchise agreement with Eurocash subsidiary - Eurocash Franczyza - Arhelan is obliged to purchase loyalty towards the Eurocash Group; According to the signed agreements, Eurocash will ultimately be the main supplier for Arhelan, which translates into a decisive influence of the Eurocash group on supplies to Arhelan and the company's results. The existence of a franchise agreement is a key factor enabling the Eurocash Group to influence the financial results of Arhelan and proving its power over this entity within the meaning of IFRS 10.

2. Possibility to block resolutions of the shareholders' meeting

Due to the qualified requirement of a majority of votes and a quorum, Eurocash has a real influence on adopting resolutions in all matters assigned to the shareholders' competences (ie without Eurocash, no resolution will be adopted).

3. Decisions made by the Management Board

Any activities related to the representation of the Company and conducting its affairs (especially those exceeding the scope of day-to-day management) require the actions of two members of the Management Board, including a Member of the Management Board appointed by Eurocash. Eurocash has the right to appoint (personal right) two out of four members of the Arhelan Management Board (50% of the composition).

4. Disposal of shares

The Company Agreement and the Investment Agreement provide for restrictions on the sale of Arhelan shares, the purpose of which is in the first place to sell the shares in Arhelan to the other shareholder (pre-emptive right). In addition, as part of the transaction, options (conditional or unconditional) were granted, which - if exercised by the relevant party - will result in the purchase of the remaining 50% of shares by Eurocash (as a result of which Eurocash will own 100% of Arhelan shares).

II. Exposure to variable returns

As a shareholder of Arhelan, Eurocash is entitled to participate in Arhelan's profit (dividends) in proportion to the number of its shares in Arhelan's share capital (target: 50% of profit / dividend).

Pursuant to the terms of the franchise agreement, Eurocash Franczyza will receive a monthly fee for participation in the Arhelan chain of stores, the amount of which depends on the net turnover achieved by Arhelan, therefore Eurocash Franczyza, and indirectly Eurocash, is subject to exposure to Arhelan's fluctuating financial results.

III. Ability to influence investment returns

The main areas of Arhelan's business affecting Eurocash's return on investment are focused on the purchasing process and logistics. By taking over the logistics process and specific central functions, and thus achieving the synergy effect, Eurocash has the ability to influence the returns on investment. Eurocash Franchise through a franchise agreement has a specific impact on the pricing policy of Arhelan - as a franchisee of the Delikatesy Centrum chain - however, while maintaining the legal requirements and the franchisee's autonomy to determine retail prices.

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 recoverable 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 6.

Impairment of trade receivables

In the current period, estimates of expected credit losses ("ECL") were updated in case of trade receivables and guarantees granted to Kontigo Sp. z .o.o. Details are included in pt. 2.1.7 and Note 6.

Revenue and cost recognition due to sale of goods

The application of IFRS 15 requires the Company to make subjective judgments and estimates that significantly affect the determination of the amount and 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. 2.2.27.
The estimated amounts of bonuses due to customers under distribution agreements are recognized on an ongoing basis in the Company's result at the time of sale of goods by reducing the transaction price (income).
The company, when buying goods from suppliers, is entitled to the so-called retrorabates, in accordance with signed trade agreements. The Company regularly estimates the discount due to it and adjusts the value of inventories at the time of purchasing the goods. Consequently, this discount corrects the cost of sale at the time of sale of the goods.

Leasing - recognition of the lessee

The application of IFRS 16 requires the Company to exercise various types of judgment, including determining which contracts fit into the lease definition, what parameters should be used to measure the lease liability and whether there are indications of the need to reassess the lease term or the discount rate.
The company has the option, under some lease agreements, to extend the term of the asset lease. After the commencement date, the Company periodically assesses the lease term and, in the event of a significant event or change in circumstances under its control, that affect its ability to exercise (or not exercise) the extension option (e.g. change in business strategy), it makes appropriate changes to the treatment of the contract.
The Company makes similar assessments for contracts concluded for an indefinite period.

Classification of liabilities due to reverse factoring

The Company uses many financial instruments, including supplier chain financing agreements (reverse factoring) in relation to its trade liabilities. Considering the potential impact of such agreements on the statement of cash flows and the statement of financial position, the Company analyzes the content of such agreements each time. Based on the analysis performed, the Company assessed that the liabilities covered by the reverse factoring are more similar in nature to liabilities to suppliers than to liabilities due to financing. As a result, they are presented in the balance sheet under "Trade and other liabilities", and payments are recognized in the Statement of cash flows upon payment by the Group companies to the factor as cash flows from operating activities. In particular, the Management Board assesses whether the supplier financing program does not cause a material change

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

Average payment terms throughout 2021 for individual groups of suppliers were as follows: (1) suppliers outside factoring programs - 43 days (in 2020 44 days), (2) suppliers in factoring programs - 64 days (in 2020 70 days) . As a rule, suppliers of alcoholic and tobacco products and other long-term shelf-life products participate in the factoring program. Only about 5% of the turnover realized with the help of

factoring programs concerns suppliers of fresh and perishable products. Factoring programs are designed to support suppliers' working capital and reduce credit risk on their balance sheets.
The securities provided to the factors take the form of: bills of exchange, power of attorney to the bank account, declaration of submission to enforcement and sureties of the Group companies. The collateral is comparable to the collateral granted to suppliers.
If significant modifications to the terms of repayment of trade liabilities are identified, the Company changes the classification accordingly and recognizes the liabilities covered by factoring as separate debt financing.

Depreciation rates

The Company considers “Eurocash” and “abc” trademarks as recognizable on the market and intends to use them for a long time. According to these assumptions the Company states that the economic useful life of the above mentioned trademarks is indefinite and they are not amortized. The “Eurocash” and “abc” trademarks are subject to impairment testing each year.
The Company determines depreciation rates based on the assessment of the expected economic useful life of items of property, plant and equipment and intangible assets, and periodically verifies them.

Tradis customer relations

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

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 and disputes

Determining the amount of the provision for court cases requires judgment as to whether the Company is obliged to provide benefits. In estimating whether it is more likely than not that an outflow of economic benefits will occur, the Company followed the professional judgment of legal advisers. Note 36.

2.1.6. COMPARABILITY OF FINANCIAL STATEMENTS

The accounting policies applied in the preparation of the attached financial statements are consistent with those applied in the preparation of the financial statements of the Company for the year ended 31 December 2020, except for the application of new or changed standards and interpretations effective for annual periods beginning on or after 1 January 2021 and later. The company transformed the comparative data. Details are included in note 1.

2.1.7. GOING CONCERN

These financial statements have been prepared on the assumption that the Group (parent company and subsidiaries) will continue as going concern in the foreseeable future, ie not less than 12 months from the balance sheet date. The most important, in the opinion of the Management Board, factors, risks and uncertainties influencing the assessment of the going concern assumption, with regard to the forms and durability of financing of the Group's activities, are discussed below. When making this assessment, the Management Board also took into account the existing and expected risks resulting from external factors such as the COVID-19 pandemic, the impact of the war in Ukraine, the availability of various forms of financing used by the Group and internal factors, including the impact of sales dynamics on cash generation and Group’s working capital.

Eurocash S.A. implements a liquidity policy for the entire Group. Pursuant to the terms of loan agreements, the level of ratios required by loan agreements must be monitored at the level of the entire Group. The Group also uses common cash pool instruments, which allow for the improvement of cash management within virtually the entire Group. Therefore, both the assumptions, analysis and the results of the liquidity model are assessed on a group basis, which allows for a more complete reflection of financial risks and understanding of all the requirements set for the Group and the Company in the field of liquidity management.

In 2021, the Group generated cash from operating activities in the amount of approximately PLN 638 million, of which approximately PLN 516 million was generated by the Parent Company, while in 2020 the Group generated approximately PLN 557 million, and the Parent Company generated approximately PLN 392 million in the previous year.

As at 31 December 2021, the Group had a surplus of short-term liabilities over current assets, which amounted to PLN 1,987 million, while in the Parent Company the same surplus was PLN 1,817 million. For comparison, as at 31 December 2020, this surplus amounted to PLN 1,975 million and, respectively, in the parent company, PLN 2,004 million. In the opinion of the Management Board, the capital structure is typical for the commercial industry in which the Eurocash Group operates, due to the fact that a significant part of sales is made on cash terms, inventories are kept as low as possible, and suppliers provide deferred payment terms, with financing working capital The Group and the Parent Company also use reverse factoring instruments and short-term bank loans. The company kept its annual sales unchanged, while the Group increased its sales by approximately 3.5%, and the Group's profit on sales amounted to approximately PLN 80 million, which is approximately 53% less than in the previous year.

In 2021, the Group incurred a net loss of approximately PLN 99 million, with PLN 94.6 million resulting from the one-off effect of impairment allowances created in 2021 for own stores in the Retail segment and PLN 16.7 million for Kontigo. The losses generated in the Projects and Retail segments, caused by the failure to implement the assumed operating plans by these segments in the changing market environment, contributed to the Group's loss generated.

Both in 2021 and in previous years, the Group and the Parent Company used reverse factoring instruments to finance working capital. As at 31 December 2021, liabilities due to reverse factoring amounted to approximately PLN 1,780 million (in the Parent Company approximately PLN 1,114 million), which accounted for approximately 93% of the limits available as at that date, while as at 31 December 2020, the use of reverse factoring for the year was approximately PLN 1,796 million zlotys (in the parent company approximately PLN 1,120 million), which accounted for approximately 83% of the limits available as at that date. In the second half of 2021, the Group was informed about the closure at the end of the year of the Polish branch of DNB bank, which provided the Group with around 250 million in reverse factoring programs. As a result of the decisions of financial institutions providing financing to the Group, the available reverse factoring limits were reduced during 2021 by approximately 11% of their availability at the beginning of 2021 (approximately PLN 240 million). At the same time, on the basis of the indicated decisions, the availability of the reverse factoring line in 2022 also decreased by a further PLN 400 million. As at 31 March 2022, according to unaudited consolidated financial data, liabilities from reverse factoring of the Eurocash Group amounted to approximately PLN 1.4 billion, which accounted for 94% of the current limits of approximately PLN 1.5 billion as at that date. As at 31 December 2021, the Group had PLN 635 million of granted limits with a maturity date not specified in the contracts. In accordance with the arrangements with the factors regarding the reduction of factoring lines referred to above, the target amount of the limits with maturity not specified in the contracts at the end of the second quarter of 2022 will be reduced by PLN 170 million to the level of PLN 465 million. The notice period for this type of agreement, i.e. for an indefinite reverse factoring agreement, is standard and amounts to either one month or requires termination of 1 month before the expiry of the 12-month limit validity period. Details of the reverse factoring limits, including availability dates, are presented in the note on liquidity management (No. 37) presented later in the financial statements.

Both in 2021 and in previous years, the Group and the parent company used classic banking forms of financing, such as long-term and short-term loans. As at 31 December 2021, liabilities under short-term and long-term loans amounted to PLN 796 million (in the Parent Company approximately PLN 769 million), which accounted for approximately 59% of the limits granted to the Group as at that date, while as at 31 December 2020, the use of accounted for 54% of the limits and amounted to PLN 681 million (in the parent company approximately PLN 619 million). Due to the decrease in liabilities due to reverse factoring, the Group increased in the first quarter of 2022 the use of available short-term and long-term credit limits compared to 31 December 2021. According to unaudited financial data, as at 31 March 2022, loan liabilities amounted to approximately PLN 942 million, which accounted for over 71% of the current limits on this type of financing. Details of bank loan limits, including availability dates, are presented in the note on liquidity management (No. 37) presented later in the financial statements.

All amounts are expressed in Polish zloty (unless indicated otherwise)

The Group's financing structure is presented in the table below (for additional information: Note 37)

Limits	**31.03.2022**	**31.12.2021**	**31.03.2021**	**31.12.2020**
	Non-audited		**Non-audited**	
Bonds (program)*	1 000	1 000	1 000	1 000
Bank credits	1 334	1 359	1 252	1 252
Bank guarantees	281	281	230	230
Receivables factoring	325	325	325	325
Reverse factoring	1 512	1 915	2 157	2 157

Use	**31.03.2022**	**31.12.2021**	**31.03.2021**	**31.12.2020**
Bonds (program)*	125	125	125	125
Bank credits	942	796	855	681
Bank guarantees	216	216	166	217
Receivables factoring	223	209	161	169
Reverse factoring	1 441	1 780	1 772	1 796

% Use	**31.03.2022**	**31.12.2021**	**31.03.2021**	**31.12.2020**
	Non-audited		**Non-audited**	
Bonds (program)*	13%	13%	13%	13%
Bank credits	71%	59%	68%	54%
Bank guarantees	77%	77%	72%	94%
Receivables factoring	69%	64%	50%	52%
Reverse factoring	94%	93%	82%	83%

* The issue of bonds requires a demand-building process, moreover, these limits will be available provided that the financing obtained in this way does not breach the terms of the loan agreements..

Due to the adjustment of payment terms regulated by the Act of 17 November 2021 on counteracting the unfair use of contractual advantage in trade in agricultural and food products, the Group will have to shorten the payment terms to approximately one hundred suppliers to 30 days for the delivery of perishable grocery and food. The Group expects that in the second quarter of 2022, as a result of this adjustment, it will invest approximately PLN 60 million in working capital, which is reflected in the liquidity plan described below.

In connection with the situation of the Covid-19 pandemic described in Note 40, the Group monitors the situation on an ongoing basis and complies with the recommendations of the Chief Sanitary Inspector.

Special preventive measures are taken and recommended to employees on an ongoing basis, minimizing the risk of infection. The Management Board does not expect a significant negative impact of the pandemic on the Company's operations in 2022.

In connection with the situation in Ukraine, no significant threats to the going concern were identified. The Group does not operate in Russia or Ukraine. The situation in the supply chain is monitored on an ongoing basis.

According to the Management Board, the most important risks are:

- failure to implement operational plans and achieve financial results in subsequent periods, related to the possible slower than expected effect of the restructuring measures taken and the impact of the ongoing market trends (including, inter alia, inflation, increase in energy and fuel costs, rising interest rates, changes in customer behavior and another). In terms of these risks, the Management Board conducts an ongoing analysis and takes actions to prevent them in the short or long term, eg in recent years the Company has been introducing more and more electronic solutions to its network to improve cooperation with Eurocash customers;
- the potential negative impact of the pandemic / endemic and the war in Ukraine on the revenues, costs and terms of financing activities both by financial institutions and suppliers of commercial goods; the impact of these issues is not expected by the Management Board as significant in the coming months; more detailed information is presented in note 40 and 41 further on in the financial statements;
- negative reaction of financial institutions to possible negative information about the Group, such as: delays in performance, reporting the level of margins and ratios below expectations, or the manner of implementing the Group's long-term strategy, and others;
- the need to extend the currently used credit lines, which, according to signed agreements, mature in the analyzed period, at significantly unchanged levels; in 2022, the Group companies plan to extend short-term credit lines (including cash pool, overdraft and short-term Covid loans), which as at 31 December 2021 are to be renegotiated in the periods April 2022 - January 2023;
- limiting the possibility of using the reverse factoring line, related to the approach of financial institutions to the approval of the available reverse factoring limits for the Group at significantly unchanged levels; most of the reverse factoring lines granted to the Group have an indefinite period of use with the possibility of termination within a month or the deadline falling in the 3rd or 4th quarter of 2022;
- the need to maintain current financing within trade credit limits and within agreed payment terms with suppliers, related to the course of negotiations with the Group's suppliers,

primarily with regard to maintaining commercial conditions, including price lists, promotion levels, product availability and trade credit limits.

In connection with the changes described above in the scope of available forms of financing and the need to adjust the available limits / types of financing to the demand resulting from, inter alia, on current operating activities, the Management Board, with the help of an independent expert, prepared a liquidity plan for 2022 and the first quarter of 2023. This plan, in accordance with the baseline scenario, indicates that the Group will maintain liquidity and the ability to service its current liabilities for a period of at least 15 months from the balance sheet date, i.e. 31 December 2021. In line with the baseline scenario of the liquidity model, the Management Board does not expect the unused credit limit reserve (plus available cash) to fall below PLN 250 million over the next 15 months. The conditions precedent related to the loan agreements are monitored on an ongoing basis, and as at the balance sheet date, 31 December 2021, the terms of the loan agreements were not breached. The liquidity model prepared for the Group indicates that the financial ratios constituting the covenants in the loan agreements will be met throughout 2022. The analysis was also extended to the first quarter of 2023, in which the Group also does not forecast that the requirements of loan agreements will be exceeded. According to unaudited data, in the most liquidity-demanding period of the first quarter of 2022, the ratio of Net Debt to EBITDA (data not audited by a statutory auditor) did not exceed 2.7 (maximum contract limit 3.5) and there were unused funds in the amount of approximately PLN 290 million.

Eurocash implements a liquidity policy for the entire Group. Therefore, both the assumptions, analysis and results of the liquidity model are assessed on a group basis, which allows for a more complete reflection of financial risks. The main assumptions of the liquidity model include:

- The model assumes that for the entire year the sales increase y / y will amount to 7.6%, while in Q1'23 it was assumed at the level of 4.3% y / y. The model also takes into account the seasonality of sales. According to unaudited data for the first quarter of 2022, sales in this period exceed the sales recorded in the first quarter of 2021 by over 9.5%. In the opinion of the Management Board, this is the result of an increase in the level of inflation, an influx of refugees from Ukraine and the announcement of the lifting of covid restrictions.
- Throughout 2022, the breakdown into fixed and variable costs specified in the model corresponds to the levels of the current cost breakdowns for the Group in the fourth quarter of 2021. The increase in costs in Q1'23 was assumed at the level of the forecasted inflation in 2023, i.e. 3.4% for all cost categories. The costs are modeled broken down into fixed and variable costs. While variable costs always occur in the sales function, o only fixed costs are assumed on the basis of historical levels and levels confirmed in contracts, taking into account expected increases for individual items.
- The Management Board assumes an increase in the margin compared to 2021 by about 1.5 pp. The above results from the return to the level of the margin realized before the covid

period, in particular the improvement of the profitability of Cash and Carry and Delikatesy Centrum. The margin is modeled separately for each segment: wholesale, retail and projects.

- Continuing cooperation with suppliers and institutions financing the Group's operations by extending the possibility of financing working capital for the entire year 2022 and possible obtaining new financing, including, inter alia:
  - Maintaining trade credit limits from suppliers at a level no lower than the maximum limits used in 2021;
  - Maintaining the limits of short-term bank loans unchanged (details on Credits and Loans are presented in Note 22), ie the limits applicable as at 31 December 2021;
  - Maintaining no lower reverse factoring limits than those applicable as at 31 March 2022 and obtaining a new reverse factoring limit from another financial institution in the amount of PLN 125 million;
  - Launching the availability of the receivables factoring program in the amount of approximately PLN 200 million in the subsidiary Eurocash Serwis.

The sensitivity analysis (*stress test*) of the liquidity model showed that with a 10% increase in sales compared to the budgeted levels, there is no need to obtain additional financing. Similarly, the margin decreased by 0.5 pp. in all quarters, compared to the budgeted levels, causes a decrease in operating cash flows at a level that does not threaten financial liquidity or meeting the conditions of loan agreements. If the availability of a trade credit is limited by 20%, the use of financial lines would be at a level that would not jeopardize both financial liquidity and the Group's compliance with the conditions included in financial contracts. All the above tests were performed assuming the availability of the current limits of reverse factoring and bank loans. Similar conclusions were brought by the analysis of the stress to which credit and factoring lines were subjected, reducing them by 15%. The Group identifies many tools that can reduce liquidity risks. In particular, such activities may include, for example, changing the sales structure in favor of products with a higher margin, limiting purchases and sales, reducing capital expenditure or reducing operating costs. In summary, in all variants of alternative scenarios including the above-mentioned: increase in sales, reduction in the level of gross margin, restrictions on the use of trade credit, as well as reverse factoring and bank credit limits, Eurocash Group maintains the ratios resulting from loan agreements and maintains the Group's liquidity in all periods.

Based on the above four scenario analyzes and the adopted assumptions, the Group does not identify any significant liquidity risk or the risk of breaching the terms and conditions contained in the loan agreements.

As at 31 December 2021, the Group had an unused bank loan limit of approximately PLN 563 million of available funds at the Group's disposal (for parent Company, the used limit: PLN 443 million). However, according to unaudited financial data, as at 31 March 2022, the limit of unused funds from credit lines by the Group was PLN 392 million (for the parent entity, the limit was approx.. PLN 308 million). Due to the seasonality, historically the quarter ending on March 31 is the most difficult quarter for the Group in the whole year to manage liquidity.

The Group is also analyzing other possibilities of obtaining additional financing.

The Management Board is considering obtaining new financing, which the Group could use if the need arose. The Group has already obtained additional financing in the form of reverse factoring in the amount of up to PLN 125 million. Until the date of these financial checks, the Management Board received offers from financial institutions to obtain additional financing in the total amount of PLN 200 million. The above limits in the total amount of PLN 325 million were included in the liquidity analysis mentioned above.

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 November 18, 2020 in cooperation with BNP Paribas Bank Polska S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Santander Bank Polska S.A. The program enables multiple bond issues in accordance with the bond issue terms and conditions set for each series, up to the maximum total amount of all issues of PLN 1,000,000,000. The first issue was in demand from a wide group of investors and was made public by listing it on the ASO (Catalyst) market on the Stock Exchange S.A. The Management Board is also considering another issue under the approved program, however, as at the date of these financial statements, no steps have been taken in this direction because the Management Board is of the opinion that at the moment it will not be necessary to obtain this financing.

In addition, the Management Board obtained confirmation of its readiness to support by providing financing in the amount of PLN 200 million from the main shareholder of the Company. In addition, the Management Board also took action to ensure the possibility of increasing participation in the program of guaranteed loans under the PLG FGP portfolio guarantee line granted by Bank Gospodarstwa Krajowego within the meaning of the Communication of the European Commission "Temporary framework of state aid measures to support the economy in the context of the ongoing COVID epidemic - 19 ”(2020/C 91 I/01) (Dz. Urz. UE C 91I) by the amount of PLN 250 million. The above-mentioned forms of possible financing, ie additional bond issue, support letter and financing under BGK programs, were not used in the described scenarios of the liquidity model.

The Group is also prepared to finance operations and investment plans in the event of the implementation of scenarios related to strategic options, i.e. possible sale of selected subsidiaries, about which the Group informed in its current reports.

The implementation of the described business financing plans is related to the maintenance of the availability of credit and factoring lines. As mentioned, in 2022 the Group's companies assume the extension of credit lines with a value of approximately PLN 500 million, which as at 31 December 2021 are to be renegotiated in the April 2022 - January 2023 period. The Group will also extend the reverse factoring limits, which the parts are allocated without any limitation of use in time and which the Board of Directors intends to maintain in full as indicated above. The Management Board has already started the first meetings and talks with the banks, and for some of them it has received confirmation of the intention to continue the extension of the limits' maintenance for subsequent periods; in accordance with the results of these discussions and on the basis of the confirmations received, the Management Board did not obtain any information that would indicate that the above-mentioned credit lines would not be extended.

Most of the reverse factoring lines granted to the Group have an indefinite period of use with the possibility of termination within a month or the date falling in the 3rd or 4th quarter of 2022 (details in Note 37 “Financial risk management”); however, based on the history of cooperation with these financial institutions and the ongoing discussions and arrangements, the Management Board has no grounds to expect that the above limits will not be extended or that they could be terminated in a short period without agreeing on the terms of such termination, which would allow the Management Board to efficiently ordering the situation thus arisen;

Moreover, the Group's financial plan assumes maintaining the availability of the above-mentioned trade credit limits from suppliers. To the best knowledge of the Management Board, the talks conducted so far do not indicate a threat of a significant deterioration of the current conditions; on the contrary, the implementation of deliveries from the first quarter of 2022 indicates the possibility of maintaining commercial conditions in subsequent periods, in particular with regard to purchase limits and payments.

The Management Board of the Company analyzed the possible impact of the above issues on the financial results and cash flows of the Company. Based on previous discussions with financial institutions, received offers for the extension of financing and negotiations with suppliers, in the opinion of the Management Board, also based on the results achieved in the first quarter of 2022, prepared plans and liquidity analyzes, conducted stress tests, the state of talks with financial institutions and available alternative sources of financing. In the opinion of the Management Board, there is no significant uncertainty as to the assumption that the parent company will continue as a going concern.

2.2. APPLIED ACCOUNTING POLICIES

2.2.1. 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 2.2.2 through 2.2.35.

2.2.2.FINANCIAL YEAR

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

2.2.3.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.

2.2.4.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:

	31.12.2021	*31.12.2020*
EUR	4,5994	4,6148

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.

2.2.5.INTANGIBLE ASSETS

Definition

Intangible assets include identifiable non-cash assets acquired by the Company which do not have a physical form, intended for use by the Group, with an expected useful life of more than one year. The component of intangible assets is recognized when it is probable that the company will achieve future economic benefits which can be assigned to a given component and when the purchase price or the cost of production of a given asset can be reliably determined.

The intangible assets of the Company include:

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

Initial measurement of goodwill

Goodwill on acquisition of an entity is initially recognized at the purchase price being the amount of the excess of the sum of payment transferred and the amount of any non-controlling interest in the acquired entity and in case of a business combination being carried out in levels of fair value as at the date of acquisition of the interest in the acquired entity 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%
▪ 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 or the test covers the entire CGU to which this component is assigned, 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.

2.2.6.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;
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

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 2.2.10.

Stocktaking of tangible fixed assets

Stocktaking of tangible fixed assets is performed every four years.

2.2.7.LEASE

At the time of concluding the contract, the company assesses whether the contract is a lease or includes a lease. An agreement is a lease or contains a lease if it transfers the right to control the use of an identified asset for a given period in return for consideration.

The Company applies a uniform approach to the recognition and measurement of all leases, except for short-term leases and low-value asset leases. At the commencement date of the lease, the Company recognizes the right-of-use asset and the lease liability.

2.2.8.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.

2.2.9. 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.

2.2.10. 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.

2.2.11. SHARES IN ASSOCIATES, SUBSIDIARIES AND COMPANIES UNDER COMMON CONTROL

Shares are measured at acquisition prices. In the event of impairment, not later than as at the reporting date, impairment is written off the value of shares.
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.

2.2.12. 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.

2.2.13. 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.

2.2.14. 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.

2.2.15. INVENTORIES

Inventories of the Company include:

- Merchandise acquired and held for resale in the ordinary course of business,
- Materials or supplies purchased to be consumed for own use.

Rules of determination of purchase price

Acquisition cost comprises all purchase costs and other costs incurred in order to bring inventories to their current location and condition.
Purchase costs comprise the actual purchase price, import duties, other non-deductible taxes, costs of transport, loading and unloading, and other costs directly attributable to merchandise.
Cash, value or volume discounts and rebates (bonuses from suppliers counted on turnover) are deducted when determining the acquisition cost.
Purchase prices are determined using the weighted average method. Under the weighted average, the purchase price or production cost of each item is calculated on the basis of the weighted average of purchase prices or production costs of similar items at the start of the 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 balance sheet date

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.

2.2.16. 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
- 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:

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

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

the financial asset and financial liability are offset and disclosed in the statement of financial position at net amount.

2.2.17. 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.

Hedge accounting

Hedge accounting is used to reflect the principles of risk hedging applied by the Company in accounting terms, and in particular to symmetrically recognize in the profit and loss account the offsetting changes in cash flows of the hedging instrument and the hedged item.
For the purposes of hedge accounting, the Company designates hedging instruments so that the change in their cash flows covers all or part of the change in future cash flows of the hedged item.
The Company applies hedge accounting if all of the following conditions specified in IFRS 9 are met:

a) the hedging relationship includes only eligible hedging instruments and eligible hedged items;

b) at the inception of the hedging relationship, the hedging relationship has been formally designated and documented, as well as the risk management objective and hedging strategy;
c) the hedging relationship meets all of the following hedge effectiveness requirements:
    1. there is an economic relationship between the hedged item and the hedging instrument;
    2. the credit risk does not have a predominant effect on the changes in value due to the economic relationship mentioned; and
    3. the hedge ratio of a hedging relationship is the same as that resulting from the amount of the hedged item that the entity actually hedges and the amount of the hedging instrument that the entity actually uses to hedge that amount of the hedged item.

As part of hedge accounting, the Company uses cash flow hedge accounting.

Cash flow hedge accounting

A cash flow hedge is a hedge of exposure to cash flow volatility that is attributable to a particular type of risk associated with the entire recognized asset or liability, or all or components of an unrecognized firm commitment (such as all or part of future interest payments on floating-rate debt). , or with a highly probable planned transaction that could affect the financial result.

The cash flow hedge is recognized in the books as follows:

a. the separate component of equity related to the hedged item (cash flow hedge reserve) is adjusted for the lower of the following amounts (in absolute terms):
    - the gains or losses on the hedging instrument accumulated since the inception of the hedge; and
    - the cumulative change in the fair value (present value) of the hedged item (ie the present value of the cumulative change in the hedged expected future cash flows) since the inception of the hedge;

b) the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge (ie the portion that is offset against the change in the cash flow hedge reserve calculated in (a)) is recognized in other comprehensive income;
c) any remaining gain or loss on the hedging instrument (or any gain or loss required to offset the change in the cash flow hedge reserve calculated in (a)) is a hedge ineffectiveness that is recognized in profit or loss.

The effective part of the hedge is transferred to the financial result as an adjustment resulting from reclassification in the period or periods when the hedged expected future cash flows affect the financial result.

Discontinuation of the use of hedge accounting

The Company ceases to apply hedge accounting only when the hedging relationship (or part of the hedging relationship) ceases to meet the qualifying criteria (taking into account, if applicable, rebalancing of the hedging relationship). This includes the cases where the hedging instrument expires or is sold, terminated or exercised, as well as the situation where the risk management objective in relation to the risk management objective specified in the documentation of the hedging relationship changes.

When cash flow hedge accounting is discontinued and it is still expected that the future cash flows will be hedged, the amount accumulated in the cash flow hedge reserve remains in equity until the future cash flows occur or in the cash flow hedge reserve there will be no cumulative loss if the Company expects that all or part of that loss will not be recovered in at least one of the future periods. When future cash flows occur, the amount is transferred to profit or loss as an adjustment resulting from reclassification in the period or periods in which the hedged expected future cash flows affect the financial result.

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.

2.2.18. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables
Trade receivables comprise receivables resulting from realized supplies or rendered services, due within 12 months.

Other short-term receivables
Other short-term receivables comprise receivables due within 12 months of the reporting date, excluding trade receivables.

Measurement of trade receivables and other receivables as at the end of the reporting period
In the case of trade receivables, the Company applies a simplified approach and measures the write-down for expected credit losses in the amount equal to expected credit losses over the whole life using the reserve matrix. The Company uses its historical data on credit losses, adjusted, where applicable, for the impact of future information.
The Company assesses the probability of payment of receivables by counterparties from the beginning of their creation. If receivables whose repayment by buyers is threatened or whose enforcement may cause difficulties are disclosed, they are updated by making a write-down in the profit and loss account.

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.
The Company also creates provisions for expected credit losses due to granted loan guarantees.
Write-downs of the value of receivables are charged to other operating costs, and if they concern interest - to financial costs.
The Company uses the expected credit loss model

Valuation at the end of the reporting period of receivables expressed in foreign currencies

Receivables denominated in foreign currencies are valued at least as at the reporting date, using the NBP exchange rate as at the balance sheet date.

Exchange differences on receivables denominated in foreign currencies, arising as at the date of their valuation, are included in financial revenues or costs, respectively.

2.2.19. 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.

2.2.20. 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,
- alcohol permissions,
- property tax,
- prepayments for other services (e.g. telecommunications).

2.2.21. 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.

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.

2.2.22. EQUITY

Ordinary shares

Ordinary shares are classified as equity.

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.

2.2.23. LONG-TERM LIABILITIES

Long-term liabilities comprise liabilities due to be settled after 12 months from the end of the reporting period.

Long-term liabilities include mainly:

- loans and borrowings
- finance lease liabilities
- deposits from subtenants of wholesale surfaces

Measurement of long-term liabilities
At as the end of the reporting period, long-term liabilities are measured at amortized cost using the effective interest rate method.

Measurement of long-term liabilities denominated in foreign currency as at the reporting date
Foreign currency liabilities are measured at least as at the end of the reporting period using the spot exchange rate.
Foreign currency gains and losses concerning foreign currency long-term liabilities and occurring as at the measurement date are recognized as financial incomes or costs accordingly.

2.2.24. 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.

2.2.25. 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.

2.2.26. PROVISIONS

Provisions are recognized if, as a result of past events, the Company has a present obligation (under the law or custom) that can be estimated reliably, and it is likely that an outflow of economic benefits will be required to settle the obligation.
Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and risks specific to the liability.
Provisions may be disbursed according to the time flow or the value of the related services. The time and method of settlement should be adequate to the nature of expenses in line with the precautionary principle.
Provisions reduce the expenses of the reporting period in which it was confirmed that the liabilities had not arisen.

2.2.27. 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 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.

2.2.28. 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.

2.2.29. EMPLOYEE BENEFITS

Long-term employee benefits

The Company recognizes expenses concerning pension plans and other employee benefits for the post-employment period in its financial statements by setting up a provision for pensions.

Provisions for post-employment benefits are established using the “Projected unit credit” method. Calculation according to actuarial forecast of unit rights is performed by a certified actuary. Liabilities recognized on an accruals basis and measured as those discounted future payments that employees have earned as at the reporting date, adjusted by personnel and demographic movement indexes.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period of service.

The Company recognizes this liability as the amount expected to be paid to employees as short-term cash bonuses or profit-sharing plans if the Company has a present obligation, by law or custom, to make such payments as a result of a past service provided by the employee, and the obligation can be estimated reliably.

The company has the costs associated with the operation of Employee Capital Plans ("PPK") by making contributions to the pension fund. They are the post-employment benefits in the form of a defined contribution plan. The Company recognizes the costs of payments for PPK in the same cost item in which it recognizes the remuneration costs from which they are calculated. PPK liabilities are presented as part of Current employee benefits.

2.2.30. 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

- 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.

2.2.31. UNCERTAIN TAX TREATMENT

If according to the Company's assessment it is probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Company determines taxable income (tax loss), tax base, unused tax losses and unused tax credits and tax rates, after considering in its tax return the applied or planned approach to taxation.

If the Company ascertains that it is not probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Company reflects the impact of this uncertainty in determining taxable income (tax loss), unused tax losses, unused tax credits or tax rates. The Company accounts for this effect using the following methods:

- determining the most probable amount – it is a single amount from among possible results,
- providing the expected amount – it is the sum total of the amounts weighted by probability from among possible results.

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

2.2.32. 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.

2.2.33. 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.

2.2.34. 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.

All amounts are expressed in Polish zloty (unless indicated otherwise)

2.3. NOTES TO SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2021 TO 31.12.2021

NOTE 1.

CORRECTION OF THE INPROPER DATA

1. As a result of the analyzes carried out on settlements for the trade in packaging, the Company found the need to make an adjustment related to deposit packaging. The method of presenting settlements for packaging caused that the related adjustment increased the value of the presented trade liabilities. Therefore, an appropriate write-off was made in 2020. As a result of the change, the amounts presented in the statement of cash flows from operating activities changed (result plus profit adjustments), without affecting cash flows from operating, investing and financing activities.

2. The changes concern the presentation of costs related to commissions for card payments between other operating costs and selling costs. Due to the fact that it is related to the company's core business, an appropriate transformation was made and presented in the selling costs

	Income statement before changes	Changes (1)	Changes (2)	Income statement after changes
Sales	**16 109 125 701**	**-**	**-**	**16 109 125 701**
Sales of goods	16 056 012 702	-	-	16 056 012 702
Sales of services	53 112 999	-	-	53 112 999
Costs of sales	**(14 220 487 313)**	**(18 714 409)**	-	**(14 239 201 722)**
Costs of goods and materials sold	(14 220 487 313)	(18 714 409)	-	(14 239 201 722)
Gross profit (loss)	**1 888 638 388**	**(18 714 409)**	-	**1 869 923 978**
Selling expenses	(1 369 944 183)	-	(5 600 913)	(1 375 545 096)
General and administrative expenses	(262 561 835)	-	-	(262 561 835)
Profit (loss) on sales	**256 132 370**	**(18 714 409)**	**(5 600 913)**	**231 817 048**
Other operating income	70 971 941	-	-	70 971 941
Other operating expenses	(74 046 476)	-	5 600 913	(68 445 563)
Operating profit (loss)	**253 057 835**	**(18 714 409)**	**-**	**234 343 426**
Financial income	63 470 997	-	-	63 470 997
Financial costs	(154 795 646)	-	-	(154 795 646)
Profit (loss) before tax	**161 733 187**	**(18 714 409)**	-	**143 018 778**
Income tax expense	(32 798 154)	-	-	(32 798 154)
Profit (loss) for the period	**128 935 033**	**(18 714 409)**	-	**110 220 623**

All amounts are expressed in Polish zloty (unless indicated otherwise)

STATEMENT OF FINANCIAL POSITION AS AT 31.12.2020

Equity and liabilities	**Statement of financial position before changes**	**Changes**	**Statement of financial position after changes**
Equity	**1 218 946 940**	**(18 714 409)**	**1 200 232 530**
Share capital	139 163 286	-	139 163 286
Reserve capital	878 713 695	-	878 713 695
Valuation equity of hedging transactions	(21 734 503)	-	(21 734 503)
Retained earnings	222 804 461	(18 714 409)	204 090 052
Accumulated profit (loss) from previous years	93 869 429	-	93 869 429
Profit (loss) for the period	128 935 033	(18 714 409)	110 220 623
Liabilities	**5 269 803 989**	**18 714 409**	**5 288 518 399**
Non-current liabilities	**1 370 141 883**	**-**	**1 370 141 883**
Long-term loans and borrowings	464 685 000	-	464 685 000
Other long-term financial liabilities	130 683 208	-	130 683 208
Long-term lease liabilities	760 125 223	-	760 125 223
Other long-term liabilities	432 070	-	432 070
Employee benefits	9 416 458	-	9 416 458
Provisions	4 799 923	-	4 799 923
Current liabilities	**3 899 662 107**	**18 714 409**	**3 918 376 516**
Loans and borrowings	742 195 698	-	742 195 698
Other short-term financial liabilities	31 839 487	-	31 839 487
Short-term lease liabilities	171 270 476	-	171 270 476
Trade liabilities	2 622 500 368	18 714 409	2 641 214 778
Other short-term payables	65 340 096	-	65 340 096
Current employee benefits	92 466 961	-	92 466 961
Provisions	174 049 021	-	174 049 021
Total equity and liabilities	**6 488 750 929**	**-**	**6 488 750 929**

NOTE 2.
ACQUISITION OF 49% OF SHARES IN ARHELAN

On 9 November 2021, Eurocash purchased 49% of shares in Arhelan sp.z o.o. Arhelan runs a network of over 100 retail stores under the brand Polskie Sklepy Arhelan. The network was founded in 1991 in Bielsk Podlaski by the Burzyński Family. The activity is conducted mainly in the Podlaskie region, but also in Warmińsko-Mazurskie, Mazowieckie and Lubelskie. The brand is distinguished by fresh products of the highest quality, obtained from reliable suppliers, and the Arhelan expansion model fits in with a socially responsible presence in local markets.

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

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS		
1.	Name of acquired company	Arhelan Sp. z o.o.
2.	Acquisition date	09.11.2021
3.	Acquisition cost	101 213 210

Accounting for the acquisition of business units

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

All amounts are expressed in Polish zloty (unless indicated otherwise)

NET ASSETS ACQUIRED	Settlement of the acquisition as at 09.11.2021
Assets	
Non-current assets (long-term)	**78 012 042**
Intangible assets	892 245
Tangible fixed assets	15 795 364
Assets due to the right of use (IFRS 16)	60 983 926
Long-term receivables	89 990
Other long-term prepayments	250 517
Current assets (short-term)	**40 214 351**
Inventory	26 308 246
Trade receivables	4 025 799
Other short-term receivables	61 456
Short-term prepayments	1 238 191
Cash and cash equivalents	8 580 659
Total assets	**118 226 393**
Equity nad liabilities	
Liabilities	**101 994 591**
Non-current liabilities	**58 456 345**
Long-term loans and credits	5 309 640
Other long-term liabilities	2 134 917
Long-term finance lease liabilities (MSSF16)	50 968 027
Other long-term provision	43 761
Current liabilities	**43 538 245**
Short-term loans and credits	1 011 360
Short-term finance lease liabilities	1 019 569
Short-term finance lease liabilities (MSSF16)	10 015 898
Trade liabilities	22 834 445
Current income tax liabilities	1 598 486
Other short-term liabilities	3 272 119
Current employee benefits	2 394 563
Other short-term provisions	1 391 806
Total liabilities	**101 994 591**
Net assets	**16 231 802**
Net assets acquired (100 %)	16 231 802
Goodwill on acquisition	84 981 408
Acquisition cost	**101 213 210**

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 3.
GOODWILL AND INTANGIBLE ASSETS

The table below presents intangible asset data.

GOODWILL AND INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2021	Goodwill	Patents and licences	Trademarks	Customer relations	Other intangible assets	Intangible assets under construcion	**Total**
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 through business combination	44 935 147	335 971	0	0	0	0	**45 271 119**
Other acquisitions	0	12 265 386	1 606 912	0	0	29 021 900	**42 894 198**
Transfer of fixed assets under construction	0	34 889 120	214 487	0	0	−34 929 670	**173 937**
Disposals	0	−2 908	0	0	0	0	**−2 908**
Liquidations	0	−432	0	0	0	0	**−432**
Amortisation	0	−25 645 698	−5 358 181	−12 500 000	−8 886 537	1 406	**−52 389 011**
Other changes	0	−1 386	0	0	0	0	**−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**
Carrying amount as at 01.01.2021	**1 204 087 309**	**75 855 271**	**290 216 159**	**140 837 343**	**72 787 568**	**16 311 777**	**1 800 095 428**
Other acquisitions	0	8 420 209	15 183 563	0	0	24 919 061	**48 522 833**
Transfer of fixed assets under construction	0	26 114 520	979 990	0	0	−28 301 612	**−1 207 102**
Disposals	0	−141 206	0	0	0	**−183 555**	**−324 761**
Liquidations	0	−5 646	0	0	0	0	**−5 646**
Amortisation	0	−30 473 583	−2 225 101	−12 500 000	−8 734 500	**0**	**−53 933 184**
Carrying amount as at 31.12.2021	**1 204 087 309**	**79 769 565**	**304 154 611**	**128 337 343**	**64 053 068**	**12 745 671**	**1 793 147 567**

All amounts are expressed in Polish zloty (unless indicated otherwise)

GOODWILL AND INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2021 (continued)

	Goodwill	Patents and licences	Trademarks	Customer relations	Other intangible assets	Intangible assets under construcion	**Total**
As at 31.12.2020							
Gross carrying amount	1 204 087 309	266 671 777	318 030 763	256 297 960	133 013 324	16 310 371	2 194 411 504
Balance sheet value of write-offs	0	(7 203 000)	0	0	(24 796 490)	0	(31 999 490)
Accumulated amortisation	0	(183 613 506)	(27 814 604)	(115 460 617)	(35 429 266)	1 406	(362 316 587)
Carrying amount	**1 204 087 309**	**75 855 271**	**290 216 159**	**140 837 343**	**72 787 568**	**16 311 777**	**1 800 095 428**
As at 31.12.2021							
Gross carrying amount	1 204 087 309	301 059 654	334 194 316	256 297 960	133 013 324	12 744 265	2 241 396 827
Balance sheet value of write-offs	0	(7 203 000)	0	0	(24 796 490)	0	(31 999 490)
Accumulated amortisation	0	(214 087 089)	(30 039 705)	(127 960 617)	(44 163 766)	1 406	(416 249 770)
Carrying amount	**1 204 087 309**	**79 769 565**	**304 154 611**	**128 337 343**	**64 053 068**	**12 745 671**	**1 793 147 567**

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 Krągola) 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.

All amounts are expressed in Polish zloty (unless indicated otherwise)

The Company has the following trademarks with indefinite useful lives:

a) the trademark "Eurocash" with a book value of PLN 179,000,000,

b) the trademark "abc" with a book value of PLN 110,000,000,

c) the trademark „Duży Ben” with a book value PLN 14.600.000.

The company did not make any impairment write-offs for goodwill in 2021 and 2020.

The main intangible assets with a limited useful life:

EKO distribution function - until 2028.

Customer relations related to the acquisition of the Tradis Group - until 2031.

Amortization of intangible assets was recognized in its entirety as selling expenses and general and administrative expenses.

The Company did not recognize any impairment losses in relation to intangible assets; this issue is discussed in more detail in Note 6.

NOTE 4.
PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment items are presented below.

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2021	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	**Total**
Carrying amount as at 01.01.2020	**269 693 533**	**89 512 343**	**23 189 426**	**44 463 682**	**22 096 896**	**448 955 880**
Acquisition through business combination	4 261 640	77 081	236 186	28 356	0	**4 603 263**
Other acquisitions	3 623 941	19 024 789	3 841 832	7 611 050	24 568 607	**58 670 218**
Changes due to the transfer of fixed assets under construction	29 156 893	2 681 083	0	2 421 787	−34 433 700	**−173 937**
Disposals	−6 689 401	−590 889	−239 866	−110 433	0	**−7 630 589**
Liquidations	−237 046	−145 906	0	−6 801	−686 144	**−1 075 898**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Depreciation	−20 322 238	−26 548 040	−7 211 920	−15 499 429	116	**−69 581 509**
Carrying amount as at 31.12.2020	**279 487 323**	**84 010 462**	**19 815 658**	**38 908 213**	**11 545 775**	**433 767 430**
Carrying amount as at 01.01.2021	**279 487 323**	**84 010 462**	**19 815 658**	**38 908 213**	**11 545 775**	**433 767 430**
Other acquisitions	4 154 184	18 458 571	2 650 628	10 416 200	8 686 158	**44 365 740**
Changes due to the transfer of fixed assets under construction	5 608 174	7 509 484	0	712 117	−12 622 673	**1 207 102**
Disposals	−13 237 577	−897 462	−2 468 458	−38 352	−1 200	**−16 643 049**
Liquidations	−176 026	−104 074	0	−204 982	0	**−485 082**
Depreciation	−20 189 316	−27 296 666	−7 526 514	−13 243 191	0	**−68 255 688**
Other changes	0	0	0	−377 549	0	**−377 549**
Carrying amount as at 31.12.2021	**255 646 762**	**81 680 314**	**12 471 314**	**36 172 455**	**7 608 060**	**393 578 904**

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2021 (continued)

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	**Total**
As at 31.12.2020						
Gross carrying amount	513 348 719	298 121 992	106 683 402	296 673 571	11 545 659	1 226 373 342
Balance sheet value of write-offs	(18 069 020)	0	0	0	0	(18 069 020)
Accumulated amortisation	(215 792 376)	(214 111 530)	(86 867 744)	(257 765 358)	116	(774 536 892)
Carrying amount	**279 487 323**	**84 010 462**	**19 815 658**	**38 908 213**	**11 545 775**	**433 767 430**
As at 31.12.2021						
Gross carrying amount	509 381 435	323 088 510	106 865 572	307 181 004	7 607 944	1 254 124 465
Balance sheet value of write-offs	(17 752 981)	0	0	0	0	(17 752 981)
Accumulated amortisation	(235 981 692)	(241 408 196)	(94 394 258)	(271 008 549)	116	(842 792 579)
Carrying amount	**255 646 762**	**81 680 314**	**12 471 313**	**36 172 455**	**7 608 060**	**393 578 904**

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 5.
ASSETS DUE TO THE RIGHT OF USE

Information on the right-of-use assets is presented in the table below.

RIGHT OF USE IN THE PERIOD FROM 01.01 TO 31.12.2021	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Total
Carrying amount as at 01.01.2020	**800 294 607**	**0**	**131 312 862**	**0**	**931 607 468**
Acquisition through business combination	3 059 233	0	64 394	5 462	**3 129 089**
Increases due to the new agreements	16 950 271	0	60 734 390	247 141	**77 931 802**
Changes in conditions of contracts	7 992 143	0	18 604 832	0	**26 596 976**
Decrease of contracts scope	−785 175	0	−1 311 040	−1 901	**−2 098 116**
Depreciation	−104 994 986	0	−55 854 028	−9 558	**−160 858 572**
Carrying amount as at 31.12.2020	**722 516 092**	**0**	**153 551 411**	**241 143**	**876 308 646**
Carrying amount as at 01.01.2021	**722 516 092**	**0**	**153 551 411**	**241 143**	**876 308 646**
Increases due to the new agreements	27 486 543	0	50 110 026	459 565	**78 056 134**
Changes in conditions of contracts	58 317 386	0	10 864 584	0	**69 181 970**
Decrease of contracts scope	−3 983 386	0	−14 289 708	0	**−18 273 094**
Depreciation	−119 260 379	0	−55 575 786	−119 467	**−174 955 632**
Carrying amount as at 31.12.2021	**685 076 256**	**0**	**144 660 526**	**581 242**	**830 318 024**

All amounts are expressed in Polish zloty (unless indicated otherwise)

RIGHT OF USE IN THE PERIOD FROM 01.01 TO 31.12.2021 (continued)

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	**Total**
As at 31.12.2020					
Cost	934 721 824	26 062	262 729 854	323 883	1 197 801 623
Accumulated amortisation	−212 205 732	−26 062	−109 178 443	−82 740	−321 492 977
Carrying amount	**722 516 092**	**0**	**153 551 411**	**241 143**	**876 308 646**
As at 31.12.2021					
Cost	1 016 542 368	26 062	309 414 755	783 449	1 326 766 633
Accumulated amortisation	−331 466 112	−26 062	−164 754 229	−202 207	−496 448 609
Carrying amount	**685 076 256**	**0**	**144 660 526**	**581 242**	**830 318 024**

The total outflow of cash under the lease in 2021 amounted to PLN 199.581.260 (2020: PLN 187,468,410).

The value of interest paid under contracts covered by IFRS16 amounted to PLN 26.660.067 in 2021 (PLN 33.818.722 in 2020).

Excluded from recognition in the balance sheet are short-term and low-value lease contracts, the total amount of which in 2020 was PLN 10,8 million (2020: PLN 6,7 million). In this category, the Company includes the lease of, cars, trolleys, containers.

COVID-19 rent renegotiation has been insignificant

NOTE 6.
ANALYSIS OF INDICATIONS OF POTENTIAL IMPAIRMENT OF ASSETS

The Company analyzed the impairment of assets broken down into reporting segments disclosed in the consolidated financial statements to which individual assets recognized in the separate statements are related, in particular (except for property, plant and equipment and the right to use an asset):

1) Segment Retail
   Goodwill – PLN 271 million (tested within the CGU)
   Individual investments in subsidiaries – PLN 616 million in total
   Intangible assets – PLN 65 million

2) Segment Wholesale
   Goodwill – PLN 933 mln million
   Individual investments in subsidiaries - PLN 310 million in total
   Intangible assets with an indefinite useful life (trademarks) – PLN 289 million in total
   Customer relations – PLN 125 million

3) Segment Projects
   Individual investments in subsidiaries – PLN 232 million in total
   Intangible assets with an indefinite useful life (trademarks) – PLN 15 million

Goodwill and intangible assets with an indefinite useful life were subject to mandatory annual impairment tests. Additionally, in the event of identifying premises for impairment of other assets, the Management Board conducted tests for impairment.

Impairment test of Retail segment - including shares in the subsidiary Delikatesy Centrum
During the financial year, as at 30 June 2021, the Management Board carried out impairment tests for investments in own stores related to the Detal+ project, making an impairment loss on shares in the subsidiary Delikatesy Centrum in the amount of PLN 80 million due to the planned closure of 50 own stores. Impairment losses on shares in the company running own stores were recognized on the basis of the observed decrease in the results of own stores in the first half of 2021 and the potential for their improvement through actions aimed at increasing sales revenues, reducing inventory losses and the level of liquidation of goods in own stores. Due to the observed decrease of results, the Management Board decided to close 50 own stores and recognize an impairment loss on the investment in the subsidiary Delikatesy Centrum as at 30 June 2021.

Due to the failure to meet the budgets assumed for 2021 and the decline in results compared to 2020, the Management Board again tested for impairment of relevant investments in subsidiaries and other assets of the Retail segment based on their fair value less costs to sell as at 31 December 2021. Assets covered by this analysis include:

- tangible fixed assets in the amount of PLN 8 million
- investments in subsidiaries (including Delikatesy Centrum) in the total amount of PLN 530 million
- intangible assets (warehouse function) in the amount of PLN 65 million
- inventories in the amount of PLN 17 million
- liabilities in the amount of PLN 29 million.

In the current information dated 2 April 2021 (Current report 07/2021) and 1 February 2022 (Current report 03/2022), the company announced that it was conducting the process of reviewing strategic options of the Eurocash Group. This process has not been completed by the date of preparation of the financial statements. One of the elements considered by the Company as part of this review is finding an investor for selected business segments of the Company. In accordance with the current report No. 03/2022, the Company, until the date of the financial statements, received non-binding offers regarding, inter alia, a specific, selected part of the Retail segment and compared the received non-binding offers to equity transactions and market valuations observed on the market for entities operating in the retail segment. Based on the received non-binding offers and analyzes of comparative transactions and market valuations with the support of independent specialists, the Management Board determined the fair value less costs to sell investments in segment assets recognized in the balance sheet and for which non-binding purchase offers were received, which were recognized as recoverable amounts.

The fair value was determined using multiplier methods based on the EV / Sales ratio and including market multipliers and transaction multipliers. In the first case, the median EV / S ratio of peers in Europe was set at 0.54, which was used to determine the recoverable amount based on the realized sales revenues in 2021, taking into account such elements as a 15% discount on payments, a premium for the control of 27% as well as costs of bringing to sale and leasing obligations. The valuation using the EV / S transaction multipliers method was based on comparable transactions; the scope of the multiplier was determined at the level of 0.25x- 0.97x, while the application of the premium and discount depended on the size of the block covered by the comparable transaction and whether such comparable transaction included shares of a public or private company; on this basis, the median of fair value was used to calculate the recoverable amount of assets after taking into account the sales revenues indicated above and the costs of bringing them to sale. The fair value determined in this way was classified to level 2 of the fair value hierarchy in accordance with IFRS 13.

After comparing the recoverable amount determined in the valuations with the above-mentioned value of assets, no impairment of these assets was identified as at 31.12.2021.

The recoverable amount of the assets specified above would be their book value if the sales revenue decreased by 12.4% for the market multipliers method and by 24.4% for the transaction multipliers method.

As part of the analysis of assets not covered by the market valuation, with a total value of PLN 316 million, including goodwill in the amount of PLN 271 million and assets from the right to use the central warehouse in the amount of PLN 45 million, based on their estimated future use by the Company value in use, taking into account the expected effects of reorganization measures, was determined.
The test was built based on the main assumptions:
- the cash flow projection has been determined for a period of 5 years of a detailed forecast and the residual value,
- maintaining the sales potential at the level achieved in 2021 and taking into account inflation increases in the following years
- deliveries to own stores in the period 2022-2023 and then to new and existing customers of the Eurocash Group in subsequent years, taking into account the level of operating margins in deliveries to these customers
- WACC discount rate appropriate to the sales profile of 7.95% in 2022-2023 and 6.95% after this period

Based on the above test of assets not covered by the above-mentioned valuation, no need to recognize impairment losses on these assets was found.

If the gross margin is reduced by 1 pp. in the forecast horizon, in relation to the planned one, the recoverable amount would be equal to with book value. A 2 pp increase in the discount rate would have the same effect in the forecast horizon after 2023.

When carrying out the above-mentioned tests for the impairment of assets, settlements between companies from the Capital Group resulting from group settlements for liquidity management (cash pooling) in the amount of PLN 388 million were excluded from the analysis. Based on the agreements signed regarding the transfer of these balances between the companies of the Capital Group, the cash pool liabilities will remain to be settled by other subsidiaries remaining in the Group. As at 31 December 2021, the above-mentioned agreement does not release any of the companies from the cashpool liabilities.

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

As at 31 December 2021, the Company conducted an asset impairment test in the Wholesale segment, to which goodwill in the amount of PLN 933 million and intangible assets with an indefinite useful life in the amount of PLN 414 million are allocated.
The model for estimating the recoverable amount of assets in the Wholesale segment, in the value in use approach covers 5-year detailed cash flow projections, in which period it was assumed, inter alia, average annual sales increase by 4.5% and a constant level of margin from 2022.
The assumed growth rate in the residual period was 2.5%.

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, the beta factor and the 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 2020).
The value in use model for the Wholesale segment includes the full allocation of general and administrative costs.
The test result showed a significant surplus over the book value of assets.

Based on the asset impairment test as at 31 December 2021, the Company's Management Board allocated the value to individual assets related to the Wholesale segment, including the above-mentioned investments in subsidiaries, goodwill and intangible assets. The analysis did not indicate the need to recognize impairment losses. Any rational change in the assumptions used in the test would not trigger an impairment loss.

Trademark impairment tests

The company also conducted separate impairment tests with respect to trademarks with an indefinite useful life, related to the wholesale business:
a) impairment test of the "Eurocash" trademark with a value of PLN 179,000,000 as at 31 December 2021.
b) impairment test of the "abc" trademark with the value of PLN 110,000,000 as at 31 December 2021.
For the purposes of the test, the recoverable amount of the trademark was determined at the fair value less costs to sell using the license fee 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.

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 trademark. 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 2022-2026. In order to determine the selected parameters of the projection, historical data for 2021 and approved by the Management Board of Eurocash S.A. were used. plans for 2022-2026. 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 2020 WACC from 6.35%).
As a result of the analysis, it was confirmed that there is no need to make individual write-offs updating the value of these assets.

Investments in subsidiaries from the Projects segment

Kontigo

Eurocash S.A. does not have a direct stake in Kontigo. However, it is the guarantor of Kontigo's indebtedness in the intra-group liquidity control management (cashpooling).
In relation to the subsidiary Kontigo, premises for impairment were identified related to the continuing operating losses of Kontigo and the failure to meet sales budgets. The financing of the company's operations is based on the use of funds from the intra-group cash pooling system. As a result of the analysis of expected credit losses in connection with the indicated financing mechanism of the indirect subsidiary and taking into account the estimated recoverable value of the indirect subsidiary's assets in 2021, credit losses in the amount of PLN 80 million were recognized, of which PLN 50 million was already recognized as at 30.06.2021 and PLN 30 million was recognized as at 31.12.2021. Total exposure of Eurocash S.A. due to the financial guarantee as at 31 December 2021, it is equal to the debt of Kontigo, i.e. PLN 141 million. The exposure was classified in impairment basket 3 in accordance with IFRS 9. The PD parameter (*probability of default*) was set at 100%.

Duży Ben

With regard to the subsidiary Duży Ben, premises for impairment of the investment in the amount of PLN 1 million and a trademark with an indefinite useful life of PLN 15 million were identified, recognized on the basis of a purchase transaction from the subsidiary, consisting in the continuing operating losses of the subsidiary Duży Ben related to the expansion of the project . Eurocash S.A. also guarantees the debts of Duży Ben in the intra-group cash pooling system. Total exposure of Eurocash S.A. on this account amounts to PLN 157 million as at 31 December 2021.
Value in use was estimated on the basis of the profitability level achieved by profitable stores, which was observed for stores positioned on the market in previous years. As a result of the analysis, no impairment of the above-mentioned assets was found. Any rational change in the assumptions adopted for the test will not result in the recognition of impairment of the assets tested.
According to the estimates made, provisions for expected credit losses related to the granted financial guarantee are immaterial.
Moreover, based on a separate analysis of the fair value of the trademark, determined on the basis of an independent valuation by a property appraiser and the market license fee method, it was also found that this value was higher than the book value.

Frisco

All amounts are expressed in Polish zloty (unless indicated otherwise)

For the subsidiary Frisco, tests for the loss of investment value in the amount of PLN 232 million were carried out in connection with the expansion of the project and losses generated by the subsidiary. The recoverable amount of the investment was determined basing on the estimate of the fair value less costs to sell based on the valuations of Frisco's market value, determined on the basis of the EV / Sales multiplier - in 2021 the subsidiary, generated sales revenues of PLN 294 million.

The fair value determined in this way was classified to level 2 of the fair value hierarchy in accordance with IFRS 13.

As a result of the test, no impairment of the investment in the subsidiary Frisco was found.

In the opinion of the Management Board, any possible rational change in sales revenues, which is the basis of the valuation, would not affect the equalization of the recoverable amount with the book value.

NOTE 7.
INVESTMENT PROPERTIES

Information on investment properties is presented in the tables below.

INVESTMENT PROPERTY AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
Opening balance	**925 711**	**941 407**
Depreciation	−12 027	−15 696
Closing balance	**913 684**	**925 711**

NOTE 8.
INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are presented in the following table.

INVESTMENTS IN SUBSIDIARIES IN THE PERIOD FROM 01.01. TO 31.12.2021	as at 31.12.2021	as at 31.12.2020
Opening balance	**1 445 256 408**	**1 346 274 936**
Increase in reporting period:	**181 249 604**	**202 708 424**
acquisitions*	101 213 210	176 938 529
other increses related to Kontigo	25 036 394	0
Acquisition of shares of an associate Frisco S.A.	0	24 769 895
Capital increase in a subsidiary	55 000 000	1 000 000
Decrease in reporting period:	**(80 031 685)**	**(103 726 951)**
Write-down of the value of shares **	(80 000 000)	(25 000 000)
Sale of shares	0	(999 000)
Other decrese	(31 685)	0

All amounts are expressed in Polish zloty (unless indicated otherwise)

Merger with subsidiary	0	(77 727 951)
Closing balance	**1 546 474 327**	**1 445 256 408**

* Note 3

** Note 6

The list of subsidiaries as at 31.12.2021 is presented below.

No	Entity name	Register office	KRS number	Invested capital	% of shares
1	Eurocash Serwis Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000519553	149 298 484,25	75,00%
2	Eurocash Franczyza Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000259846	3 800 000,00	100,00%
3	Eurocash Trade 1 Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000329002	7 376,46	100,00%
4	Premium Distributors Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000287947	236 485 448,63	100,00%
5	Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000203619	6 660 000,00	100,00%
6	Lewiatan Podlasie Sp. z o.o.	Porosły 70A 16-070 Choroszcz	KRS 0000508176	14 347 409,00	100,00%
7	Euro Sklep Sp. z o.o.	ul. Bystrzańska 94a 43-309 Bielsko-Biała	KRS 0000012291	36 273 968,00	100,00%
8	Ambra Sp. z o.o.	ul. Hutnicza 7 43-502 Czechowice-Dziedzice	KRS 0000254307	43 914 050,00	100,00%
9	Lewiatan Śląsk Sp. z o.o.	ul. Lenartowicza 39 41-219 Sosnowiec	KRS 0000175768	8 154 068,00	100,00%
10	Lewiatan Orbita Sp. z o.o.	ul. Lubelska 33/15 10-410 Olsztyn	KRS 0000039244	2 165 095,00	100,00%
11	Lewiatan Kujawy Sp. z o.o.	ul. Polna 4-8 87-800 Włocławek	KRS 0000109502	9 292 271,00	100,00%
12	Lewiatan Wielkopolska Sp. z o.o.	os. Winiary 54 60-665 Poznań	KRS 0000133384	2 803 329,00	100,00%
13	Lewiatan Opole Sp. z o.o.	ul. Światowida 2 45-325 Opole	KRS 0000043199	1 994 877,00	100,00%
14	Lewiatan Zachód Sp. z o.o.	ul. Przemysłowa 5 73-110 Stargard Szczeciński	KRS 0000017136	3 403 506,00	100,00%
15	Lewiatan Podkarpacie Sp. z o.o.	ul. Krakowska 47 39-200 Dębica	KRS 0000186622	512 891,76	100,00%
16	Lewiatan Holding S.A.	ul. Kilińskiego 10 87-800 Włocławek	KRS 0000089450	6 451 578,00	100,00%
17	Lewiatan Północ Sp. z o.o.	ul. I Dywizji Wojska Polskiego nr 98 84-230 Rumia	KRS 0000322297	875 196,00	100,00%
18	Inmedio Sp. z o.o.	ul. Al.Jerozolimskie 174 02-486 Warszawa	KRS 0000525507	37 120 000,00	51,00%
19	Eurocash VC3 Sp. z o.o.	ul. Taśmowa 7 02-677 Warszawa	KRS 0000560795	55 143 500,00	100,00%
20	ABC na kołach Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000586936	100 000,00	100,00%
21	Duży Ben Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000577163	500 000,00	100,00%
22	Firma Rogala Sp. z o.o.	ul. Grunwaldzka 59 38-350 Bobowa	KRS 0000576321	39 200 000,00	50,00%
23	Polska Dystrybucja Alkoholi Sp. z o.o.	ul. Hubla 40,Wola Zaradzyńska 95-054 Ksawerów	KRS 0000124474	18 920 000,00	100,00%

All amounts are expressed in Polish zloty (unless indicated otherwise)

No	Entity name	Register office	KRS number	Invested capital	% of shares
24	FHC-2 Sp. z o.o.	ul. Tysiąclecia 1 38- 400 Krosno	KRS 0000241137	49 550 345,99	100,00%
25	Madas Sp. z o.o.	ul. Tysiąclecia 1 38- 400 Krosno	KRS 0000243880	5 208 648,87	100,00%
26	Delikatesy Centrum Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000116761	397 913 077,94	100,00%
27	ABC Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000746077	5 000,00	100,00%
28	Groszek Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000745820	4 585 806,74	100,00%
29	Partner Sp. z o.o.	os. Armii Krajowej 6a 87-600 Lipno	KRS 0000229327	73 119 018,68	100,00%
30	Delikatesy Centrum 2 Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000772585	10 561,80	100,00%
31	Delikatesy Centrum 4 Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000772558	10 561,80	100,00%
32	Delikatesy Centrum 3 Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000772562	10 561,80	100,00%
33	Frisco S.A.	ul. Grochowska 306/ 308 03-840 Warszawa	KRS 0000401344	231 938 528,56	100,00%
34	Innowacyjna Platforma Handlu Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000492021	1 000 000,00	100,00%
35	Arhelan Sp. z o.o.	Al. Józefa Piłsudskiego 45 17-100 Bielsk Podlaski	KRS 0000912320	86 213 210,16	49,00%

The list of subsidiaries as at 31.12.2020 is presented below.

No	Entity name	Register office	KRS number	Invested capital	% of shares
1	Eurocash Serwis Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000519553	149 293 775,33	75,00%
2	Eurocash Franczyza Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000259846	3 800 000,00	100,00%
3	Eurocash Trade 1 Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000329002	7 376,46	100,00%
4	Premium Distributors Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000287947	236 485 448,63	100,00%
5	Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000203619	6 660 000,00	100,00%
6	Lewiatan Podlasie Sp. z o.o.	Porosły 70A 16-070 Choroszcz	KRS 0000508176	14 347 409,00	100,00%
7	Euro Sklep Sp. z o.o.	ul. Bystrzańska 94a 43-309 Bielsko-Biała	KRS 0000012291	36 273 968,00	100,00%
8	Ambra Sp. z o.o.	ul. Hutnicza 7 43-502 Czechowice-Dziedzice	KRS 0000254307	52 028 078,63	100,00%
9	Lewiatan Śląsk Sp. z o.o.	ul. Lenartowicza 39 41-219 Sosnowiec	KRS 0000175768	10 404 305,10	100,00%
10	Lewiatan Orbita Sp. z o.o.	ul. Lubelska 33/15 10-410 Olsztyn	KRS 0000039244	3 633 302,88	100,00%
11	Lewiatan Kujawy Sp. z o.o.	ul. Polna 4-8 87-800 Włocławek	KRS 0000109502	12 350 794,20	100,00%
12	Lewiatan Wielkopolska Sp. z o.o.	os. Winiary 54 60-665 Poznań	KRS 0000133384	3 963 872,62	100,00%
13	Lewiatan Opole Sp. z o.o.	ul. Światowida 2 45-325 Opole	KRS 0000043199	3 783 045,80	100,00%
14	Lewiatan Zachód Sp. z o.o.	ul. Przemysłowa 5 73-110 Stargard Szczeciński	KRS 0000017136	3 403 506,00	100,00%
15		ul. Krakowska 47	KRS 0000186622	512 891,76	100,00%

All amounts are expressed in Polish zloty (unless indicated otherwise)

No	Entity name	Register office	KRS number	Invested capital	% of shares
	Lewiatan Podkarpacie Sp. z o.o.	39-200 Dębica			
16	Lewiatan Holding S.A.	ul. Kilińskiego 10 87-800 Włocławek	KRS 0000089450	8 227 264,18	100,00%
17	Lewiatan Północ Sp. z o.o.	ul. I Dywizji Wojska Polskiego 98 84-230 Rumia	KRS 0000322297	875 196,00	100,00%
18	Inmedio Sp. z o.o.	ul. Al. Jerozolimskie 174 02-486 Warszawa	KRS 0000525507	37 120 000,00	51,00%
19	Eurocash VC3 Sp. z o.o.	ul. Taśmowa 7 02-677 Warszawa	KRS 0000560795	55 143 500,00	100,00%
20	ABC na kołach Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000586936	100 000,00	100,00%
21	Duży Ben Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000577163	500 000,00	100,00%
22	Firma Rogala Sp. z o.o.	ul. Grunwaldzka 59 38-350 Bobowa	KRS 0000576321	39 200 000,00	50,00%
23	Polska Dystrybucja Alkoholi Sp. z o.o.	ul. Hubla 40,Wola Zaradzyńska 95-054 Ksawerów	KRS 0000124474	18 920 000,00	100,00%
24	FHC-2 Sp. z o.o.	ul. Tysiąclecia 1 38- 400 Krosno	KRS 0000241137	49 550 345,99	100,00%
25	Madas Sp. z o.o.	ul. Tysiąclecia 1 38- 400 Krosno	KRS 0000243880	5 208 648,87	100,00%
26	Delikatesy Centrum Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000116761	477 913 077,94	100,00%
27	ABC Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000746077	5 000,00	100,00%
28	Groszek Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000745820	4 585 806,74	100,00%
29	Partner Sp. z o.o.	os. Armii Krajowej 6a 87-600 Lipno	KRS 0000229327	73 119 018,68	100,00%
30	Delikatesy Centrum 2 Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000772585	10 561,80	100,00%
31	Delikatesy Centrum 4 Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000772558	10 561,80	100,00%
32	Delikatesy Centrum 3 Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000772562	10 561,80	100,00%
33	Frisco S.A.	ul. Grochowska 306/ 308 03-840 Warszawa	KRS 0000401344	176 938 528,56	100,00%
34	Innowacyjna Platforma Handlu Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000492021	1 000 000,00	100,00%
35	Eurocash Trade 2 Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000329037	7 241,50	100,00%

NOTE 9.
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are presented below.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2021

Name of entity	Registered office of the company	% of shares held	% of votes held

Partnerski Serwis Detaliczny S.A.	ul. Grażyny 15 02-548 Warszawa	50,00%	50,00%

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2020

Name of entity	Registered office of the company	% of shares held	% of votes held
Partnerski Serwis Detaliczny S.A.	ul. Grażyny 15 02-548 Warszawa	50,00%	50,00%

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2020

	as at 31.12.2021	as at 31.12.2020
Opening balance	**4 590 840**	**42 793 026**
Increase in reporting period:	**0**	**0**
Decrease in reporting period:	0	**−38 202 186**
Acquisition of 100% of shares in associates	0	−38 202 186
Balance upon changes	**4 590 840**	**4 590 840**

NOTE 10.
OTHER LONG-TERM FINANCIAL ASSETS

Other long-term financial assets are presented below.

OTHER LONG-TERM INVESTMENTS AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
Shares in other entities	57 633	57 633
Other long-term financial assets	427	0
Receivables due to security instruments	4 144 413	0
Total other long-term financial assets	**4 202 474**	**57 633**

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 11.
LONG-TERM RECEIVABLES

Long-term receivables are presented below.

LONG-TERM RECEIVABLES AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
Security deposits on rental agreements	1 424 348	2 207 218
Other long-term receivables	0	2 350 000
Total long-term receivables	**1 424 348**	**4 557 218**

NOTE 12.
OTHER LONG-TERM PREPAYMENTS

Other long-term prepayments are presented below.

OTHER LONG-TERM PREPAYMENTS AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
Alcohol licences	0	6 273 711
Advisory services	433 706	0
Issue of bonds	412 500	0
Insurance	250 000	400 000
Commissions	1 211 324	1 658 235
Other prepayments	594 425	933 392
Total other long-term prepayments	**2 901 955**	**9 265 337**

NOTE 13.
INVENTORIES

Inventories are presented below.

INVENTORIES AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
Merchandise	955 652 647	770 544 592
Materials	260 223	215 003
Total inventories, including:	**955 912 870**	**770 759 595**
- nominal value of inventory deposits securing payments of liabilities	178 000 000	178 000 000

All amounts are expressed in Polish zloty (unless indicated otherwise)

The increase in inventories results from increased purchases of alcoholic products related to the increase in excise duty.

ALLOWANCE FOR INVENTORIES IN THE PERIOD FROM 01.01. TO 31.12.2021	for the period from 01.01.2021 to 31.12.2021	for the period from 01.01.2020 to 31.12.2020
Opening balance	**20 368 770**	**17 755 933**
- increase in the allowance during the period *	4 590 415	2 612 838
- write-offs during the period *	0	0
Closing balance	**24 959 185**	**20 368 770**

** net value*

NOTE 14.
TRADE AND OTHER RECEIVABLES

Trade and other receivables are presented below.

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
Trade receivables	**995 839 265**	**1 063 875 784**
Receivables from clients	609 318 798	656 349 244
Receivables from suppliers	329 704 133	348 616 087
Receivables from franchisees *	16 763 774	16 424 543
Franchise fees	2 947 042	3 263 690
Other trade receivables	75 580 112	87 768 089
Allowance for trade receivables	−38 474 595	−48 545 869
Current tax assets	**0**	**17 622 945**
Other receivables	**83 241 466**	**18 208 502**
VAT settlements	59 330 621	0
Receivables subject to legal proceedings	53 893 165	66 108 560
Allowance for other bad debts	−52 463 049	−64 879 590
Receivables from sales fixed assets	2 499 383	209 160
Receivables from employees	306 341	428 272
Receivables from insurance	91 957	261 070
Other receivables	19 583 048	16 081 029
Total receivables, including:	**1 079 080 731**	**1 099 707 232**
- long-term	0	0
- short-term	1 079 080 731	1 099 707 232

All amounts are expressed in Polish zloty (unless indicated otherwise)

** receivables from franchisees transferred for financing relate to receivables for supplies and services from franchisees that have been covered by factoring agreements with recourse.*

As at 31 December 2021 (the values as at 31 December 2020 in brackets), factoring receivables reduce the total amount of trade receivables in the amount of: "program 1" - PLN 4.4 (0.0) million, "program 2 "- PLN 145.1 (96.7) million and" program 3 "- PLN 16.7 (16.8) million. The amounts decreasing the receivables were transferred to the Company's bank accounts and were recognized under cash. The receivables factoring programs used by the Company are characterized by different conditions due to their specific characteristics: "program 1" - is used to extend financing for the franchisees of the Company, which receives funds in the full amount of receivables on the payment date, "program 2" - allows the company to receive cash in connection with the assignment of receivables of a selected debt portfolio, "program 3" - discounts all the invoices of a selected, one customer of the Group in 100% of their value. Only in "program 2", the funds in the account are lower than the value of receivables presented for assignment to the factor, whose value as at December 31, 2021 amounted to PLN 172.7 million (PLN 133.6 million). In accordance with the judgment of the Company, the Company neither transfers nor retains substantially all the risks and rewards of ownership of the transferred asset and retains control (taking into account the fact that the factor cannot sell the insured receivables) over the transferred asset and therefore recognizes the transferred asset to the extent that it maintains involvement in it, i.e. in the amount of the difference between the value of the assigned portfolio and the amount paid by the factor.

NOTE 15.
OTHER SHORT-TERM FINANCIAL ASSETS

Short-term financial assets are presented below.

OTHER SHORT-TERM INVESTMENTS AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
Other short-term investments	0	310 285
Loans granted to subsidiaries	1 600 000	0
Receivables due to security instruments	13 760 196	0
Total other short-term investments	**15 360 196**	**310 285**

NOTE 16.
SHORT-TERM PREPAYMENTS

Short-term prepayments are presented below.

All amounts are expressed in Polish zloty (unless indicated otherwise)

SHORT-TERM PREPAYMENTS AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
Computer services	1 653 479	0
Alcohol licences	6 424 732	7 130 953
Rentals	4 269 940	5 512 840
Insurances	2 532 997	2 715 511
Commissions	2 954 839	2 967 432
Other short-term prepayments	5 547 290	4 212 638
Total other short-term prepayments	**23 383 276**	**22 539 374**

NOTE 17.
CASH AND CASH EQUIVALENTS

Cash and cash equivalents are presented below.

CASH AND CASH EQUIVALENTS AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
Cash at bank	347 444	603 956
Cash on hand	1 329 122	210 071
Cash in transit	15 545 690	16 680 826
Cash on short-term deposits	8 522	0
Cash restricted to use	2 023 464	3 106 816
Money vouchers	3 330	0
Others	5 000	8 123
Total cash	**19 262 571**	**20 609 792**

Cash on VAT accounts as at 31.12.2021 amounted to PLN 2.023.464 (as at 31.12.2020 amounted to PLN 3.106.816).

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

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 18.
SHAREHOLDERS' EQUITY

Share capital

Share capital is presented below.

SHARE CAPITAL AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
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 2021, 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:

	31.12.2021				31.12.2020			
Akcjonariusz	Ilość akcji	Udział w kapitale zakładowym (%)	Ilość głosów	Udział w ogólnej liczbie głosów (%)	Ilość akcji	Udział w kapitale zakładowym (%)	Ilość głosów	Udział w ogólnej liczbie głosów (%)
Luis Amaral (bezpośrednio i pośrednio przez 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.	0	0,00%	0	0,00%	0	0,00%	0	0,00%

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,

All amounts are expressed in Polish zloty (unless indicated otherwise)

- 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:

SHARE CAPITAL IN THE PERIOD FROM 01.01 TO 31.12.2021	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	**0**	**0**
Incentive programs for employees	0	0
Share capital at the end of the period	**139 163 286**	**139 163 286**

In 2020 and 2021, 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 9.564.857 as at 31 December 2021 and PLN -21.734.503 as at 31 December 2020, 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

Ordinary General Meeting of Eurocash S.A. by the resolution no 5 on 27 April 2021 decided to pay a dividend. Persons who were shareholders of the Company on 16.06.2021 received a dividend in the amount of PLN 0.48 per one share of the company. The total amount of the dividend paid was PLN 66,798,377. The dividend was paid on 07.07.2021.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 19.
PROVISIONS AND ACCRUALS

Provisions and accruals are presented below

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01 TO 31.12.2021	Employee benefits	Accrual for costs of transport	Accrual for advertising costs	Court cases, potential disputes	Accrual for rental costs	Accrual for costs of media	Other	**Total**
Provisions and accruals as at 01.01.2020	**88 770 079**	**10 556 831**	**7 055 124**	**3 219 578**	**6 239 488**	**10 367 049**	**77 941 792**	**204 149 940**
Increases*	8 636 258	0	825 425	29 157 143	1 472 343	0	29 704 110	**69 795 279**
Decreases*	−139 452	−1 782 521	0	0	0	−707 341	0	**−2 629 315**
Provisions and accruals as at 31.12.2020, including:	**97 266 884**	**8 774 310**	**7 880 549**	**32 376 721**	**7 711 832**	**9 659 708**	**107 645 902**	**271 315 905**
- short-term	92 466 961	8 774 310	7 880 549	32 376 721	7 711 832	9 659 708	107 645 902	**266 515 982**
- long-term	4 799 923	0	0	0	0	0	0	**4 799 923**
								0
Provisions and accruals as at 01.01.2021	**97 266 884**	**8 774 310**	**7 880 549**	**32 376 721**	**7 711 832**	**9 659 708**	**107 645 902**	**271 315 905**
Increases*	12 126 843	4 972 045	5 812 593	0	12 519 481	4 586 204	0	**40 017 167**
Decreases*	−13 028 745		0	−1 112 761	0	0	−21 377 378	**−35 518 884**
Provisions and accruals as at 31.12.2021, including:	**96 364 982**	**13 746 355**	**13 693 142**	**31 263 960**	**20 231 313**	**14 245 912**	**86 268 524**	**275 814 187**
- short-term	92 123 119	13 746 355	13 693 142	31 263 960	20 231 313	14 245 912	86 268 524	**271 572 324**
- long-term	4 241 863	0	0	0	0	0	0	**4 241 863**

** net value*

All amounts are expressed in Polish zloty (unless indicated otherwise)

PROVISIONS AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
Employee benefits	4 241 863	4 799 923
Current employee benefits	92 123 119	92 466 961
Accrual for advertising costs	13 693 142	7 880 549
Accrual for intrests	6 088 303	10 462 534
Accrual for costs of media	14 245 911	9 659 707
Accrual for ligitations	1 058 686	0
Accrual for advisory and audit	19 550 812	7 561 349
Accrual for costs of transport	13 746 355	8 774 310
Accrual for rental costs	20 231 313	7 711 832
Accrual for agent's commisions	656 226	0
Rezerwa na ubezpieczenia	2 372 689	0
Accural for IT modernist works	2 052 953	1 382 929
Accrual for bonuses	0	6 877 418
Accrual for concessions	2 190 676	2 528 459
Court cases, potential disputes	31 263 960	32 376 721
Other provisions and accruals	52 298 180	78 833 215
PROVISIONS TOTAL	**275 814 187**	**271 315 905**
- long-term	4 241 863	4 799 923
- short-term	271 572 324	266 515 982

Provisions and liabilities for employee benefits

Provisions and liabilities for employee benefits include provision for retirement, disability and post-mortem benefits in amount of PLN 4.764.538 (the remaining part mainly consists of salaries payable and provisions for holidays and provision for bonuses).

Provision for retirement benefits was calculated by an actuary. Actuarial valuation accounted for such items as: discount rate of 3.2%, 2,94% wage increase. The amount of 4.241.863 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 2021.

Provision for interest

The provision applies to estimated costs associated with outstanding liabilities past due as at 31 December 2021.

The provision is expected to be realized within 12 months after 31 December 2021.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 20.
TRADE AND OTHER PAYABLES

Trade and other payables are presented below.

TRADE AND OTHER PAYABLES AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
		restated*
Trade payables	**2 800 868 535**	**2 641 214 778**
Payables due to purchase of goods	2 686 326 533	2 514 708 381
- including suppliers financing program	*1 113 580 999*	*1 119 586 687*
Payables due to services received	113 213 770	124 404 254
Payables due to reversal of remuneration	1 328 232	2 102 142
Current tax liabilities	**6 382 004**	**0**
Other payables	**199 974 064**	**65 772 166**
VAT settlements	0	7 275 563
Liabilities due to purchases of assets	15 337 267	17 585 670
Liabilities due to social securities	26 880 515	27 774 128
Liabilities due to taxes and insurances	19 301 278	7 071 942
Liabilities from deposit	15 497 004	432 070
Liabilities for the purchase of the Duży Ben trademark	17 958 000	0
Liabilities due to financial guarantee **	105 000 000	0
Other payables	0	5 632 793
Total payables, including:	**3 007 224 602**	**2 706 986 943**
- long-term	15 497 004	432 070
- short-term	2 991 727 599	2 706 554 873

* Note 1

** mutual transactions with Kontigo Sp. z o.o.

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 2021, the value of balances covered by the vendor financing program in the amount of PLN 1.113.580.999 was included, while as at 31 December 2020, the respective balance amounted to PLN 1.119.586.687.

NOTE 21.
LOANS AND BORROWINGS

As at 31.12.2021, the Company has credit lines in the total amount of PLN 1.211,84 million provided by 9 banks (including 3 syndicate banks). These limits were used as at the balance sheet date in the amount of PLN 769,2 million. Additionally, the Company used loans taken out within the Group in the amount of PLN 290,6 million under a cash pooling agreement. Detailed information on credits and loans is presented in the table below.

All amounts are expressed in Polish zloty (unless indicated otherwise)

LOANS AND CREDITS AS AT 31 DECEMBER 2021

Credits	Credit destination	Liability amount	Interest rate
Group Entities	Loans within the Group under the cash pooling agreement	290 656 107	WIBOR + bank's margin
Bank 1	Loan for financing current activity	213 840 000	WIBOR + bank's margin
Bank 2	Loan for financing current activity	75 000 000	WIBOR + bank's margin
Banks syndicate	Loan for financing current activity	375 000 000	WIBOR + bank's margin
Bank 3	Loan for financing current activity	41 368 560	WIBOR + bank's margin
Bank 4	Loan for financing current activity	31 102 547	WIBOR + bank's margin
Bank 5	Loan for financing current activity	186 498	WIBOR + bank's margin
Total		**1 027 153 712**	
- long-term		571 020 000	
- short-term		456 133 712	

Total loan costs in 2021 amounted to PLN 20.631.295.

LOANS AND CREDITS AS AT 31 DECEMBER 2020

Credits	Credit destination	Liability amount	Interest rate
Group Entities	Loans within the Group under the 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
Body 1	A loan received from a related enity	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.

All amounts are expressed in Polish zloty (unless indicated otherwise)

The Going Concern section describes the most important changes in the financing method that took place in 2021.

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.

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 2.1.7 Going concern. The list of sureties is included in the note 35.

NOTE 22.
OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented below.

FINANCIAL LIABILITIES AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
Liabilities arising from the issue of bonds	125 000 000	125 000 000
Liabilities related to financing of franchisees *	16 763 774	16 424 543
Valuation of hedging instruments*	0	21 098 152
FINANCIAL LIABILITIES TOTAL	**141 763 774**	**162 522 695**
- long-term	125 000 000	130 683 208
- short-term	16 763 774	31 839 487

* *liabilities due to financing franchisees relate to factoring agreements with recourse to trade receivables.*

All amounts are expressed in Polish zloty (unless indicated otherwise)

Details in Going Concern in pt. 2.1.7

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 31.12.2021 is PLN 128.013.840.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 23.
LEASE LIABILITIES

LEASE AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2021	as at 31.12.2020	as at 31.12.2020
Future minimum lease payments due to lease agreements	minimum fees	present value of minimum lease payments	minimum fees	present value of minimum lease payments
Less than one year	176 292 276	174 207 854	173 764 036	171 270 476
Between one and five years	530 890 745	494 325 839	540 939 342	495 044 803
More than five years	299 213 243	227 557 207	368 810 755	265 080 420
Total future minimum lease payments due to llease agreements	**1 006 396 264**	**896 090 901**	**1 083 514 133**	**931 395 699**
Finance costs	110 305 364	X	152 118 434	X
Present value of minimum lease payments due to lease agreements	**896 090 901**	**896 090 901**	**931 395 699**	**931 395 699**

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 24.
INCOME TAX

Income tax for the reporting period is presented below.

INCOME TAX FOR THE PERIOD FROM 01.01 TO 31.12.2021 (main components)	for the period from 01.01.2021 to 31.12.2021	for the period from 01.01.2020 to 31.12.2020
Income statement		
Current income tax	−33 393 268	−43 535 160
Deferred tax	−3 999 301	10 737 006
Total income tax	**−37 392 569**	**−32 798 155**

TAX RECONCILIATION FOR THE PERIOD FROM 01.01 TO 31.12.2021	for the period from 01.01.2021 to 31.12.2021	for the period from 01.01.2020 to 31.12.2020
Profit before tax	**174 406 061**	**143 018 778**
Income tax calculated base on 19% income tax rate	(33 137 152)	(27 173 568)
Provision for expected credit losses on the financial guarantee granted to Kontigo	(15 200 000)	(4 750 000)
Impact of permanent differences related to the write-down on shares in a subsidiary Delikatesy Centrum	(15 200 000)	0
Impact of permanent differences from obsolete items, lawsuits, potential disputes and canceled receivables		(6 789 429)
Impact of tax on other permanent differences between the gross result and the tax base	(4 551 886)	(6 046 088)
Correction of current tax from previous years	(482 748)	0
Balance sheet income not constituting tax income		8 261 109
Tax costs other than balance sheet costs	37 667	190
Tax effect of dividend from EC Group entities	31 182 169	6 973 695
Other differences	(40 620)	(3 274 063)
Income tax in income statement	**(37 392 570)**	**(32 798 154)**
Effective tax rate	21,44%	22,93%

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. in addition, between the companies of the Group, settlements for the supply of goods and the provision of services, including administrative support services and services provided by network organizers, which may be the subject of verification of transfer pricing settlements and other tax regulations.

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

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

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

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

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

On 28 September 2017, the Head of the Customs and Revenue Office for Wielkopolska Region in Poznań issued a decision to Eurocash S.A., in which he stated in the case above that the Company had an understatement of tax liability for 2011 of PLN 8 million. On the basis of an external legal expert analysis, on 17 October 2017, the Company appealed against this decision. It mentions a number of arguments for the correctness of the tax settlements made by the Company, including confirmation of the correctness of the settlements through the positive interpretations of tax law.

By the decision of 19 March 2019, the Director of the Tax Administration Chamber in Poznań, after considering the appeal of Eurocash S.A., revoked the entire decision of the Head of the Wielkopolska Customs and Tax Office in Poznań and referred the case for reconsideration. As of 9 November 2021, the case has not been completed.

On 28 February 2018, the Head of the Customs and Revenue Office for Wielkopolska Region in Poznań initiated an audit of corporate income tax for 2016. As at 9 November 2021, the audit was not completed.

On 17 December 2019, the Head of the Customs and Revenue Office for Wielkopolska Region in Poznań initiated a customs and tax audit in the area of corporate income tax for 2014 and 2015. As at 9 November 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. As at 9 November 2021, the appeal procedure has not been completed.

On 23 June 2021, 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 2015 in the amount of approximately PLN 22.5 million. The head of the Greater Poland 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 overstatement of tax deductible costs due to depreciation of trademarks in the amount of PLN 28.8 million, which is a consequence of an incorrect - overestimated for tax purposes - evaluation of the initial value of intangible assets and legal (trademarks). In response to the above-mentioned decision, on 21 July 2021, the Company appealed. As at 10 February 2021, the appeal procedure has not been completed.
Due to the control, the Company created provisions which it recognized in previous reporting periods.

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

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

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 25.
DEFERRED TAX

Deferred tax is presented below.

DEFERRED TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2021

	Statement of financial position		Income statement		Statement of other comprehensive income	
	as at	as at	for the period	for the period	for the period	for the period
	31.12.2021	31.12.2020	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Deferred tax liabilities						
- difference between tax and carrying amount of fixed assets	71 057 519	62 680 676	8 376 843	8 160 667	0	0
- not invoiced income	36 080 683	39 106 656	−3 025 972	−187 491	0	0
- revenues from accrued interests	2 685 801	1 212 563	1 473 239	−74 401	0	0
- other	287 128	329 665	−42 537	−42 537	0	0
- valuation of hedging instruments	2 652 865	0	0	0	2 652 865	0
Gross deferred tax liabilities	**112 763 996**	**103 329 559**	**6 781 572**	**7 856 238 0**	**2 652 865**	**0**

All amounts are expressed in Polish zloty (unless indicated otherwise)

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2021 (continued)

	Statement of financial position		Income statement		Statement of other comprehensive income	
	as at 31.12.2021	as at 31.12.2020	for the period from 01.01.2021 to 31.12.2021	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2021 to 31.12.2021	for the period from 01.01.2020 to 31.12.2020
Deferred tax assets						
- bonuses	−2 001 579	1 961 461	3 963 040	−2 776 601	0	0
- allowance for inventories	4 742 245	3 870 066	−872 179	−496 439	0	0
- allowance for bad debts	14 727 455	20 046 104	5 318 649	−4 835 820	0	0
- unpaid payroll and social securities	2 844 194	2 885 488	41 294	−4 158	0	0
- accruals	23 943 472	18 918 126	−5 025 345	−2 746 466	0	0

All amounts are expressed in Polish zloty (unless indicated otherwise)

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2021 (continued)

	Statement of financial position		Income statement			Statement of other comprehensive income	
	as at	as at	for the period	for the period		for the period	for the period
	31.12.2021	31.12.2020	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020	0	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Deferred tax assets							
- expenditures due to acquisition od Partner, DC2, DC3 and DC4	141 543	141 543	0	0	0	0	0
- diference between right of use and lease liabilities	11 252 175	9 811 645	−1 440 530	−7 502 820		0	0
- PCC due to the acquisition	1 237 733	465 931	−771 803	−298 504		0	0
- correction of costs for unpaid liabilities	4 836 325	5 105 670	269 345	−1 384 178		0	0
- other	13 272 922	16 538 598	3 265 676	1 777 987		0	0
- accruals	17 009 927	9 479 509	−7 530 418	−326 244		0	0
- valuation of hedging instruments	0	4 688 960	0	0		4 688 960	3 848 512
Gross deferred tax assets	**92 006 411**	**93 913 101**	**−2 782 270**	**−18 593 243**	**0**	**4 688 960**	**3 848 512**
Allowance of deferred tax asset	0	0	0	0		0	0
Deferred tax assets	**92 006 411**	**93 913 101**	**−2 782 270**	**−18 593 243**	**0**	**4 688 960**	**3 848 512**
Deferred income tax effect			**3 999 301**	**−10 737 006**		**7 341 825**	**3 848 512**
Net deferred tax liabilities	**20 757 585**	**9 416 458**	**X**	**X**		**X**	**X**
Net deferred tax assets	**0**	**0**	**X**	**X**		**X**	**X**

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 26.
SALES IN THE REPORTING PERIOD

Sales revenues are presented below.

SALE IN THE PERIOD FROM 01.01 TO 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Sale of goods	16 067 535 048	16 056 012 702
Sale of services	48 929 803	53 112 999
Total sale	**16 116 464 851**	**16 109 125 701**

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 27.
COSTS BY TYPE

Costs by type are presented below.

COSTS BY TYPE IN THE PERIOD FROM 01.01 TO 31.12.2020	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
		restated *
Depretiation	297 156 531	282 844 788
Materials and energy	92 491 306	90 103 127
External services	429 480 677	432 342 017
Taxes and charges	30 087 433	33 284 970
Salaries	606 329 212	653 917 759
Social security and other benefits	110 534 893	119 978 513
Other costs by type	25 467 637	25 635 757
Costs by type	**1 591 547 688**	**1 638 106 931**
including:		
Cost of goods sold	1 333 918 484	1 375 545 096
General and administrative expenses	257 629 203	262 561 835

* Note 1

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 28.
OTHER OPERATING INCOMES AND EXPENSES

Other operating incomes and expenses are presented below.

OTHER OPERATING INCOME AND EXPENCES 01.01 TO 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
		restated *
Other operating income	**55 594 386**	**70 971 941**
Penalties for suppliers	6 702 136	5 450 272
Other sales	7 755 500	6 745 571
Sub-lease of premises	4 797 591	3 460 353
Profit on sales of fixed assets	10 978 618	2 050 386
Compensation received	2 208 768	422 827
Revenus from transport services	0	313 820
Reversal of allowance for bad debts	2 176 362	0
Settlement of vat deposit	0	43 479 521
Reversal of allowance for inventories	1 674 844	0
Early termination of the lease	391 784	0
Dissolution of the reserve for alcohol licenses	2 121 459	0
Other (irrelevant individually)	16 787 323	9 049 192
Other operating expenses	**(8 245 533)**	**(68 445 563)**
Allowance for receivables	0	(7 274 283)
Costs of damages	(962 304)	(1 201 983)
Paid penalties	(238 010)	(794 423)
Donations	(3 149 300)	(2 387 243)
Court cases, potential disputes and receivables canceled	0	(35 733 839)
Early termination of leasing contracts	0	(249 681)
Advisory services	0	(5 000 000)
Other (irrelevant individually)	(3 895 919)	(15 804 111)
Other net operating income / expenses	**47 348 854**	**2 526 378**

* Note 1

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 29.
FINANCE INCOMES AND COSTS

Finance incomes and costs are presented below.

FINANCE INCOME AND COSTS IN THE PERIOD FROM 01.01 TO 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Finance income	**195 701 483**	**63 470 997**
Revenues from discounts	8 653 185	8 983 005
Interest	3 493 687	3 941 226
Dividends	164 116 680	36 703 659
Other financial income (irrelevant individually)	19 437 932	13 843 108
Finance costs	**(247 381 847)**	**(154 795 646)**
Interest	(49 271 567)	(55 434 891)
Interest on leasing	(26 632 232)	(33 782 199)
Bank fees	(7 387 979)	(5 252 790)
Foreign exchange losses	(423 483)	(1 172 990)
Impairment of shares in the Group *	(160 000 000)	(25 000 000)
Foreing exchange losses of lease agreements (IFRS 16)	(1 241 933)	(25 546 618)
Other financial expenses (irrelevant individually)	(2 424 653)	(8 606 157)
Net finance expenses	**(51 680 364)**	**(91 324 648)**

* Note 6

In 2021, over PLN 164 million of dividends were received from the following companies: Eurocash Franczyza Sp. z o.o. (PLN 100 million), Premium Distributors Sp. z o.o. (PLN 27.5 million), Eurocash Serwis Sp. z o.o. (25 million), EC VC3 Sp. z o.o. (PLN 8 million), Firma Rogala Sp. z o.o (PLN 3.2 million) and Partnerski Serwis Detaliczny Sp. z o.o. (PLN 0.2 million).

In 2021, a provision was created for the financial guarantee granted by Eurocash to the Kontigo Company in the amount of PLN 80 million and a write-off was made on the shares in the Delikatesy Centrum Company in the amount of PLN 80 million..

NOTE 30.
EARNINGS (LOSS) PER SHARE

Earnings per share are presented below.

EARNINGS PER SHARE FOR THE PERIOD FROM 01.01 TO 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 *restated **
Earnings		
Profit/ (loss) for the period attributable to teh Parent's shareholders	137 013 492	110 220 623
Number of issued shares		
Weighted average number of shares	139 163 286	139 163 286
Dilution efect of potential number of shares:		

Convertible bonds	0	0
Weighted average number of shares (to calculate diluted earnings per share)	139 163 286	139 163 286
Earnings per share		
- basic	0,98	0,79
- diluted	0,98	0,79

* Note 1

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.

Diluted net profit per ordinary share is calculated as the quotient of the net profit (loss) and the weighted average of the diluted number of ordinary shares.

Description of factors which dilute the number of shares

In 2020 and 2021, due to the resignation from the option program, there are no diluting factors.

NOTE 31.
BOOK VALUE PER SHARE AS AT 31.12.2021

BOOK VALUE PER SHARE AS AT 31.12.2021	31.12.2021	31.12.2020
Book value	1 301 747 005	1 200 232 530
Number of shares (excl. treasury shares)	139 163 286	139 163 286
Diluted number of shares	139 163 286	139 163 286
Book value per share	9,35	8,62
Diluted book value per share	9,35	8,62

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

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 32.
TRANSACTIONS WITH SUBSIDIARIES

No significant non-arm's length transactions with subsidiaries were closed in 2021.

Trade receivables	31.12.2021	31.12.2020
Delikatesy Centrum Sp. z o.o.	106 885 646	138 282 197
Firma Rogala Sp. z o.o.	28 589 831	37 851 345
Eurocash Serwis Sp. z o.o.	26 442 471	21 359 970
Duży Ben Sp. z o.o.	15 425 477	22 015 805
FHC-2 Sp. z o.o.	11 329 975	13 843 195
Delikatesy Rogala Sp. z o.o.	4 080 549	0
Eurocash Trade 1 Sp. z o.o.	3 419 389	4 809 607
Frisco S.A.	3 189 938	1 665 718
Eurocash Franczyza Sp. z o.o.	2 334 553	2 304 430
Podlaskie Delikatesy Centrum Sp. z o.o.	2 160 420	2 063 050
Madas Sp. z o.o.	1 371 781	1 277 714
ABC na kołach Sp. z o.o.	1 166 399	485 730
Lewiatan Holding S.A.	1 061 709	1 020 276
Innowacyjna Platforma Handlu Sp. z o.o.	510 920	1 092 483
Lewiatan Śląsk Sp. z o.o.	498 664	561 550
Ambra Sp. z o.o.	486 205	266 848
Lewiatan Północ Sp. z o.o.	433 230	304 895
Lewiatan Zachód Sp. z o.o.	405 020	152 034
Lewiatan Kujawy Sp. z o.o.	332 792	507 501
Lewiatan Wielkopolska Sp. z o.o.	296 872	339 257
Lewiatan Opole Sp. z o.o.	287 957	208 546
Polska Dystrybucja Alkoholi Sp. z o.o.	281 195	406 018
Kontigo Sp. z o.o.	273 631	642 084
Lewiatan Podlasie Sp. z o.o.	260 997	221 349
Partner Sp. z o.o.	249 194	0
Lewiatan Orbita Sp. z o.o.	227 257	133 391
Lewiatan Podkarpacie Sp. z o.o.	225 345	142 614
Groszek Sp. z o.o.	201 316	749 849
Inmedio Sp. z o.o.	165 963	255 850
Detal Finanse Sp. z o.o.	84 406	103 610
Akademia Umiejętności Eurocash Sp. z o.o.	71 745	92 463
Cerville Investments Sp. z o.o.	60 887	870 964
Euro Sklep S.A.	46 457	200 572
4vapers Sp. z o.o.	10 797	7 681
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	7 696	30 029
Premium Distributors Sp. z o.o.	3 418	3 771
Eurocash Nieruchomości	1 169	0
Eurocash VC3 Sp. z o.o.	1 033	984
Delikatesy Centrum 2 Sp. z o.o.	634	0
Delikatesy Centrum 3 Sp. z o.o.	634	0
Delikatesy Centrum 4 Sp. z o.o.	634	0
ABC Sp. z o.o.	517	492
Delikatesy Centrum Sklepy Sp. z o.o.	132	0
Eurocash Trade 2 Sp. z o.o.	0	178
EKO Holding S.A. w likwidacji	0	547

All amounts are expressed in Polish zloty (unless indicated otherwise)

Total	**212 884 855**	**254 274 597**

Other receivables	31.12.2021	31.12.2020
Eurocash Franczyza Sp. z o.o.	6 584 259	2 022 520
Eurocash Serwis Sp. z o.o.	1 130 112	1 180 229
Innowacyjna Platforma Handlu Sp. z o.o.	458 000	155 841
Lewiatan Holding S.A.	366 227	1 261 758
Lewiatan Śląsk Sp. z o.o.	189 397	107 253
Lewiatan Wielkopolska Sp. z o.o.	107 692	7 696
Duży Ben Sp. z o.o.	74 076	19 042
Lewiatan Zachód Sp. z o.o.	70 342	25 129
Lewiatan Północ Sp. z o.o.	65 122	20 596
Lewiatan Kujawy Sp. z o.o.	58 839	48 985
Lewiatan Opole Sp. z o.o.	43 755	24 000
Delikatesy Centrum Sp. z o.o.	40 120	46 759
ABC na kołach Sp. z o.o.	31 365	6 840
Kontigo Sp. z o.o.	28 217	59 086
Lewiatan Orbita Sp. z o.o.	25 764	16 584
Ambra Sp. z o.o.	24 166	1 478
Lewiatan Podlasie Sp. z o.o.	10 124	21 508
Lewiatan Podkarpacie Sp. z o.o.	8 753	403
Groszek Sp. z o.o.	7 309	120 644
Detal Finanse Sp. z o.o.	4 982	872
EKO Holding S.A. w likwidacji	3 848	19 166
Euro Sklep S.A.	3 527	123 616
Eurocash Trade 1 Sp. z o.o.	2 879	2 879
Cerville Investments Sp. z o.o.	2 706	183
Akademia Umiejętności Eurocash Sp. z o.o.	415	175
Podlaskie Delikatesy Centrum Sp. z o.o.	15	85
Frisco S.A.	0	5 916
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	0	1 305
ABC Sp. z o.o.	0	246
Total	**9 342 009**	**5 300 798**

Trade payables	31.12.2021	31.12.2020
Lewiatan Holding S.A.	35 777 431	35 615 081
Eurocash Franczyza Sp. z o.o.	11 566 452	8 573 377
Eurocash Serwis Sp. z o.o.	7 303 400	7 465 118
Cerville Investments Sp. z o.o.	7 265 179	4 765 176
Innowacyjna Platforma Handlu Sp. z o.o.	3 529 762	45 931
Euro Sklep S.A.	2 377 251	2 192 398
Delikatesy Centrum Sp. z o.o.	1 533 811	8 120 110
Lewiatan Śląsk Sp. z o.o.	1 504 242	1 520 577
Lewiatan Kujawy Sp. z o.o.	1 460 604	1 225 345
Groszek Sp. z o.o.	1 284 765	1 031 693
Lewiatan Opole Sp. z o.o.	1 040 143	905 247
Lewiatan Wielkopolska Sp. z o.o.	860 501	860 367
Lewiatan Północ Sp. z o.o.	802 133	671 436

All amounts are expressed in Polish zloty (unless indicated otherwise)

Firma Rogala Sp. z o.o.	777 695	3 655 178
Lewiatan Podlasie Sp. z o.o.	767 377	636 026
Lewiatan Zachód Sp. z o.o.	563 299	501 127
Lewiatan Orbita Sp. z o.o.	554 133	508 294
Lewiatan Podkarpacie Sp. z o.o.	446 965	328 883
FHC-2 Sp. z o.o.	88 538	1 083 554
Delikatesy Rogala Sp. z o.o.	84 080	0
Kontigo Sp. z o.o.	33 649	33 289
Madas Sp. z o.o.	11 634	111 956
Podlaskie Delikatesy Centrum Sp. z o.o.	11 628	177 620
Akademia Umiejętności Eurocash Sp. z o.o.	8 708	308 047
Polska Dystrybucja Alkoholi Sp. z o.o.	2 548	41 277
Premium Distributors Sp. z o.o.	622	622
DEF Sp. z o.o.	298	0
Duży Ben Sp. z o.o.	34	2 462
Partner Sp. z o.o.	0	68 457
Frisco S.A.	0	22 099
Total	**79 656 880**	**80 470 750**

Receivables from loans granted	**31.12.2021**	**31.12.2020**
Delikatesy Rogala Sp. z o.o.	1 600 000	0
Total	**1 600 000**	**0**

Other payables	**31.12.2021**	**31.12.2020**
Kontigo Sp. z o.o.	105 000 000	
Duży Ben Sp. z o.o.	17 958 000	0
Eurocash Serwis Sp. z o.o.	846 453	740 031
Delikatesy Centrum Sp. z o.o.	718 784	2 418 971
Ambra Sp. z o.o.	132 445	35 167
Premium Distributors Sp. z o.o.	107 425	87 509
Eurocash Franczyza Sp. z o.o.	11 644	1 666 216
Polska Dystrybucja Alkoholi Sp. z o.o.	7 425	7 425
Lewiatan Śląsk Sp. z o.o.	5 200	5 200
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	62	61
Eurocash Trade 1 Sp. z o.o.	0	1 558 725
Firma Rogala Sp. z o.o.	0	218 422
FHC-2 Sp. z o.o.	0	103 724
Lewiatan Zachód Sp. z o.o.	0	31 003
Podlaskie Delikatesy Centrum Sp. z o.o.	0	28 734
Lewiatan Wielkopolska Sp. z o.o.	0	18 445
Madas Sp. z o.o.	0	8 242
Lewiatan Północ Sp. z o.o.	0	745
Lewiatan Orbita Sp. z o.o.	0	129
Total	**124 787 437**	**6 928 749**

Payables from loans granted	**31.12.2021**	**31.12.2020**
Delikatesy Centrum Sp. z o.o.	0	908 982
Cashpool payables	257 990 927	586 660 494
Total	**257 990 927**	**587 569 476**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Sales of goods	**01.01-31.12.2021**	**01.01-31.12.2020**
Delikatesy Centrum Sp. z o.o.	1 512 902 725	1 676 692 640
Firma Rogala Sp. z o.o.	397 385 405	363 613 294
Eurocash Serwis Sp. z o.o.	299 852 168	280 090 075
FHC-2 Sp. z o.o.	155 448 512	153 009 807
Duży Ben Sp. z o.o.	124 696 512	87 199 108
Partner Sp. z o.o.	50 783 714	40 263 867
Frisco S.A.	31 233 462	10 431 243
Podlaskie Delikatesy Centrum Sp. z o.o.	23 010 651	21 289 347
Madas Sp. z o.o.	17 903 858	15 172 170
ABC na kołach Sp. z o.o.	14 660 788	16 824 027
Polska Dystrybucja Alkoholi Sp. z o.o.	2 068 872	1 638 169
Inmedio Sp. z o.o.	1 291 617	1 358 725
Eurocash Franczyza Sp. z o.o.	300 604	403 701
Ambra Sp. z o.o.	228 812	312 572
Kontigo Sp. z o.o.	82 846	237 308
Lewiatan Śląsk Sp. z o.o.	74 273	66 967
Lewiatan Podlasie Sp. z o.o.	62 246	9 852
Cerville Investments Sp. z o.o.	60 705	35 486
Lewiatan Orbita Sp. z o.o.	48 323	20 035
Lewiatan Opole Sp. z o.o.	42 901	35 569
Lewiatan Podkarpacie Sp. z o.o.	21 082	2 844
Lewiatan Północ Sp. z o.o.	18 878	37 969
Lewiatan Zachód Sp. z o.o.	10 167	5 749
Lewiatan Kujawy Sp. z o.o.	4 914	3 581
Lewiatan Wielkopolska Sp. z o.o.	4 365	8 458
Euro Sklep S.A.	2 420	32 994
Lewiatan Holding S.A. w likwidacji	0	1 755
Total	**2 632 200 818**	**2 668 797 313**

Sales of services	**01.01-31.12.2021**	**01.01-31.12.2020**
Eurocash Serwis Sp. z o.o.	11 978 246	9 430 818
Lewiatan Holding S.A.	8 677 711	9 560 821
Eurocash Franczyza Sp. z o.o.	8 193 427	14 481 820
Innowacyjna Platforma Handlu Sp. z o.o.	3 763 453	2 860 146
Lewiatan Kujawy Sp. z o.o.	2 578 706	1 338 761
Lewiatan Śląsk Sp. z o.o.	2 000 147	1 359 576
Groszek Sp. z o.o.	1 934 306	2 639 054
Lewiatan Północ Sp. z o.o.	1 722 464	957 817
Lewiatan Opole Sp. z o.o.	1 409 236	818 724
Lewiatan Zachód Sp. z o.o.	1 354 515	510 807
Lewiatan Wielkopolska Sp. z o.o.	1 266 169	762 189
Lewiatan Podlasie Sp. z o.o.	1 262 366	861 799
Lewiatan Orbita Sp. z o.o.	1 053 550	504 201
Lewiatan Podkarpacie Sp. z o.o.	892 178	318 967
Ambra Sp. z o.o.	837 073	884 816
Delikatesy Centrum Sp. z o.o.	752 641	518 142
Kontigo Sp. z o.o.	714 758	798 407
Euro Sklep S.A.	640 014	825 174
Duży Ben Sp. z o.o.	629 841	2 175 942

All amounts are expressed in Polish zloty (unless indicated otherwise)

Detal Finanse Sp. z o.o.	505 881	562 408
ABC na kołach Sp. z o.o.	335 638	296 791
Akademia Umiejętności Eurocash Sp. z o.o.	136 707	274 270
Cerville Investments Sp. z o.o.	103 544	701 982
4vapers Sp. z o.o.	94 157	94 804
FHC-2 Sp. z o.o.	56 250	93 728
Firma Rogala Sp. z o.o.	56 250	54 000
Inmedio Sp. z o.o.	47 540	46 623
Premium Distributors Sp. z o.o.	33 120	31 987
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	18 960	18 394
Polska Dystrybucja Alkoholi Sp. z o.o.	18 900	169 914
Eurocash VC3 Sp. z o.o.	10 000	9 600
Delikatesy Centrum 2 Sp. z o.o.	6 158	0
Delikatesy Centrum 3 Sp. z o.o.	6 158	0
Delikatesy Centrum 4 Sp. z o.o.	6 158	0
ABC Sp. z o.o.	2 500	2 400
Eurocash Trade 1 Sp. z o.o.	1 595	1 740
Eurocash Trade 2 Sp. z o.o.	1 160	1 740
Frisco S.A.	0	112 500
EKO Holding S.A. w likwidacji	0	103 625
Total	**53 101 479**	**54 184 488**

Interest revenues	**01.01-31.12.2021**	**01.01-31.12.2020**
Firma Rogala Sp. z o.o.	74 926	1 849
Eurocash Trade 1 Sp. z o.o.	70 169	155 450
Eurocash Franczyza Sp. z o.o.	16 305	25 971
Kontigo Sp. z o.o.	7 658	22 963
Podlaskie Delikatesy Centrum Sp. z o.o.	3 815	0
Innowacyjna Platforma Handlu Sp. z o.o.	2 437	862
ABC na kołach Sp. z o.o.	1 272	1 982
Delikatesy Rogala Sp. z o.o.	545	0
4vapers Sp. z o.o.	214	0
Delikatesy Centrum Sp. z o.o.	0	303 891
Frisco S.A.	0	18 045
Eurocash Nieruchomości Sp. z o.o.	0	503
Detal Finanse Sp. z o.o.	0	84
Total	**177 341**	**531 600**

Dividends	**01.01-31.12.2021**	**01.01-31.12.2020**
Eurocash Franczyza Sp. z o.o.	100 000 000	29 290 005
Premium Distributors Sp. z o.o.	27 539 826	0
Eurocash Serwis Sp. z o.o.	25 074 896	0
Eurocash VC3 Sp. z o.o.	8 032 630	0
Firma Rogala Sp. z o.o.	3 255 332	3 323 004
FHC-2 Sp. z o.o.	0	3 615 771
Madas Sp. z o.o.	0	239 958
Total	**163 902 684**	**36 468 738**

Other income	**01.01-31.12.2021**	**01.01-31.12.2020**
Eurocash Serwis Sp. z o.o.	777 451	1 999 532

All amounts are expressed in Polish zloty (unless indicated otherwise)

Frisco S.A.	419 141	223 923
Delikatesy Centrum Sp. z o.o.	17 239	44 142
Kontigo Sp. z o.o.	4 224	5 474
Cerville Investments Sp. z o.o.	2 079	1 107
ABC na kołach Sp. z o.o.	1 042	1 606
Duży Ben Sp. z o.o.	213	0
Innowacyjna Platforma Handlu Sp. z o.o.	15	85
EKO Holding S.A.	0	19 166
Eurocash Franczyza Sp. z o.o.	0	2 128
Lewiatan Śląsk Sp. z o.o.	0	837
Total	**1 221 403**	**2 298 000**

Costs of goods sold	01.01-31.12.2021	01.01-31.12.2020
Lewiatan Holding S.A.	344 823 292	331 875 547
Eurocash Serwis Sp. z o.o.	118 030 979	118 978 114
Kontigo Sp. z o.o.	1 287 257	266 278
Cerville Sp. z o.o.	90 137 094	0
Total	**554 278 622**	**451 119 939**

Costs of services	01.01-31.12.2021	01.01-31.12.2020
Eurocash Franczyza Sp. z o.o.	95 341 399	77 434 581
Delikatesy Centrum Sp. z o.o.	88 682 235	99 189 208
Delikatesy Centrum Sklepy Sp. z o.o.	80 000 000	0
Kontigo Sp. z o.o.	50 000 000	25 000 000
Eurocash Serwis Sp. z o.o.	30 369 876	34 568 807
Firma Rogala Sp. z o.o.	28 488 123	29 097 303
FHC-2 Sp. z o.o.	9 651 672	11 101 135
Euro Sklep S.A.	8 017 938	7 874 756
Lewiatan Śląsk Sp. z o.o.	5 687 765	5 595 816
Lewiatan Kujawy Sp. z o.o.	5 184 915	5 176 059
Duży Ben Sp. z o.o.	4 996 706	2 651 813
Groszek Sp. z o.o.	4 841 022	4 822 531
Lewiatan Opole Sp. z o.o.	3 600 941	3 061 712
Lewiatan Północ Sp. z o.o.	3 491 569	3 169 007
Lewiatan Wielkopolska Sp. z o.o.	3 242 143	3 206 160
Innowacyjna Platforma Handlu Sp. z o.o.	3 206 174	45 931
Lewiatan Podlasie Sp. z o.o.	2 895 248	2 598 861
Lewiatan Orbita Sp. z o.o.	2 096 488	2 021 524
Lewiatan Zachód Sp. z o.o.	2 091 125	1 970 586
Lewiatan Holding S.A.	1 496 328	1 157 115
Lewiatan Podkarpacie Sp. z o.o.	1 433 080	1 092 725
Podlaskie Delikatesy Centrum Sp. z o.o.	1 411 716	1 477 834
Frisco S.A.	1 263 147	534 138
Madas Sp. z o.o.	1 183 019	1 115 082
Delikatesy Rogala Sp. z o.o.	1 021 570	0
Premium Distributors Sp. z o.o.	107 286	87 361
Inmedio Sp. z o.o.	46 611	13 600
Ambra Sp. z o.o.	41 477	697 304
Partner Sp. z o.o.	10 000	0
Polska Dystrybucja Alkoholi Sp. z o.o.	7 425	7 425

All amounts are expressed in Polish zloty (unless indicated otherwise)

Akademia Umiejętności Eurocash Sp. z o.o.	7 079	250 917
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	62	61
Eurocash Detal Sp. z o.o.	0	0
EKO Holding S.A. w likwidacji	0	68 502
Detal Finanse Sp. z o.o.	0	4 182
Total	**439 914 140**	**325 092 033**

Other costs	01.01-31.12.2021	01.01-31.12.2020
ABC na kołach Sp. z o.o.	1 456 583	0
Delikatesy Centrum Sp. z o.o.	2 075	0
Total	**1 458 658**	**0**

NOTE 33.
REMUNERATION AND OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Members of the Management Board and the Supervisory Board are considered as key management personnel.

The table below presents information of total remuneration, bonuses, rewards and other benefits paid or payable to the Members of the Management Board and the Supervisory Board during the period from 01.01.2021 to 31.12.2021.

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 THE SUPERVISORY BOARD OF THE PARENT IN THE PERIOD FROM 01.01 TO 31.12.2021	Basic salary	Other benefits	Managerial optoins	Total
Remuneration of the Members of the Management Board				
Luis Amaral	36 000	17 575	0	53 575
Rui Amaral	480 000	18 003	0	498 003
Arnaldo Guerreiro	300 000	54 516	0	354 516
Pedro Martinho	300 000	54 516	0	354 516
Katarzyna Kopaczewska	300 000	17 575	0	317 575
Jacek Owczarek	300 000	34 458	0	334 458
Przemysław Ciaś	240 000	36 003	0	276 003
Noel Colett	480 000	73 365	0	553 365
Total	**2 436 000**	**306 010**	**0**	**2 742 010**
Remuneration of the Members of the Supervisory Board				
Jorge Mora	229 908	0	0	229 908
Renato Arie	229 908	0	0	229 908
Francisco José Valente Hipólito dos Santos	229 908	0	0	229 908
Hans Joachim Körber	229 908	0	0	229 908
Przemysław Budkowski	232 494	0	0	232 494
Total	**1 152 124**	**0**	**0**	**1 152 124**

All amounts are expressed in Polish zloty (unless indicated otherwise)

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE PARENT IN THE PERIOD FROM 01.01 TO 31.12.2020	Basic salary	Other benefits	Managerial optoins	Total
Remuneration of the Members of the Management Board				
Luis Amaral	332 000	17 357	0	349 357
Rui Amaral	2 280 000	17 600	0	2 297 600
Arnaldo Guerreiro	900 000	28 943	0	928 943
Pedro Martinho	300 000	29 153	0	329 153
Katarzyna Kopaczewska	900 000	17 357	0	917 357
Jacek Owczarek	960 000	43 777	0	1 003 777
Przemysław Ciaś	720 000	42 438	0	762 438
Noel Colett	960 000	46 958	0	1 006 958
Total	**7 352 000**	**243 583**	**0**	**7 595 583**
Remuneration of the Members of the Supervisory Board				
Jorge Mora	225 610	0	0	225 610
Ewald Raben	181 443	0	0	181 443
Renato Arie	225 610	0	0	225 610
Francisco José Valente Hipólito dos Santos	225 610	0	0	225 610
Hans Joachim Körber	225 610	0	0	225 610
Przemysław Budkowski	44 167	0	0	44 167
Total	**1 128 050**	**0**	**0**	**1 128 050**

NOTE 34.
EMPLOYMENT

The number of employees as at 31.12.2021 is presented below.

NUMBER OF EMPLOYEES AS AT 31.12.2021	31.12.2021	31.12.2020
Number of employees	7 643	8 279
Number of full-time jobs	7 567	8 208

The employment structure as at 31.12.2021 is presented below.

EMPLOYMENT STRUCTURE AS AT 31.12.2021	Wholesale discounts and distribution centres	Head office	Total
Number of employees	6 315	1 329	**7 643**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Number of full-time jobs	6 249	1 318	**7 567**

Employee turnover data as at 31.12.2021 are presented below.

EMPLOYEE TURNOVER IN THE PERIOD FROM 01.01 TO 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Number of hired employees	1 358	1 635
Number of dismissed employees	−1 994	−2 069
Total	**−636**	**−434**

NOTE 35.
DATA CONCERNING ITEMS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

Contingencies as at 31.12.2021:

	Beneficiary	Title	Currency	31.12.2021	31.12.2020
1	Bank 1 **	Surety for the Eurocash Group companies regarding the cash pool agreement in the amount of the credit limit	PLN	2 100 000 000	2 100 000 000
2	Bank 2 **	Surety for the Eurocash Group companies regarding the cash pool agreement in the amount of the credit limit	PLN	2 040 000 000	2 160 000 000
3	Bank 2 ***	Surety for liabilities resulting from the "Franchise Partners Financing Program" for the Franchisee of Delikatesy Centrum	PLN	184 020	714 908
4	Bank 4 ***	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Lease Agreement	PLN	248 593	1 236 613
5	Bank 4 ***	Surety for liabilities of Partnerski Serwis Detaliczny S.A. under the Lease Agreement	PLN	38 385	48 804
6	Bank 5 **	Surety for liabilities of Eurocash Serwis Sp. z o.o., resulting from the Factoring Agreement	PLN	300 000 000	300 000 000
7	Bank 6 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Current Loan Agreement Agreement	PLN	165 000 000	165 000 000
8	Bank 7 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. due to the factoring agreement	PLN	50 000 000	50 000 000
9	Bank 8 **	Surety for loan of Frisco S.A.	PLN	15 000 000	15 000 000
10	Bank 4 ***	Poręczenie umowy dla transakcji rynku finansowego FRISCO S.A.	PLN	2 150 000	0
11	Bank 4 ***	Surety for liabilities due to the lease agreements of Frisco S.A.	PLN	30 825 021	21 081 630
12	Podmiot 1 **	Surety for liabilities of Eurocash Serwis Sp. z o.o.	PLN	1 000 000	1 000 000
13	Podmiot 2 **	Surety for liabilities of ABC na Kołach Sp. z o.o.	PLN	200 000	200 000

All amounts are expressed in Polish zloty (unless indicated otherwise)

14	Podmiot 3 **	Surety for liabilities of ABC na Kołach Sp. z o.o.	PLN	300 000	300 000
15	Bank 9 **	Surety for liabilities of Eurocash Group Companies due to the factoring agreement	PLN	300 000 000	300 000 000
16	Podmiot 5 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	47 648 811	53 263 963
17	Podmiot 4 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	6 590 743	0
18	Podmiot 8 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	8 324 757	0
19	Podmiot 9 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	80 190 174	0
20	Bank 8 **	Surety for liabilities of Frisco S.A. due to the factoring agreement	PLN	0	2 000 000
21	Podmiot 6 **	Surety for non-trade liabilities of Delikatesy Centrum Sp. z o.o.	PLN	5 900 000	0
22	Podmiot 7 **	Surety for trade liabilities of Frisco S.A.	PLN	3 080 000	2 930 000
23	Podmiot 2 **	Surety for non-trade liabilities of Frisco S.A.	PLN	300 000	400 000
	Total			**5 156 980 504**	**5 173 175 918**

*** at nominal value*

**** at debt value as at balance sheet date*

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 31.12.2021 contingent liabilities of Eurocash S.A. according to the value of debt, they amounted to PLN 1.495,3 million, while as at 31.12.2020, they amounted to PLN 991,3 million.

Bank guarantees as at 31.12.2021

The Issuer	Title	Currency	31.12.2021	31.12.2020
Bank 1	Security for rent liabilities*	PLN	0	2 206 699
Bank 2	Security for rent liabilities	PLN	8 675 895	8 497 346
Bank 3	Security for rent liabilities*	PLN*	32 452 414	32 111 064
Bank 4	Security for excise duty	PLN	500 000	500 000
Bank 5	Payment security for suppliers *	PLN	4 594 100	4 614 800
Bank 6	Payment security for suppliers	PLN	40 700 000	40 400 000
Bank 7	Payment security for suppliers *	PLN	11 025 840	9 229 600
Bank 8	Securing payments in connection with the use of national roads	PLN	1 320 100	620 100

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Bank 9	Payment security for suppliers *	PLN	0	1 153 700
Bank 10	Payment security for suppliers	PLN	19 500 000	19 500 000
Bank 11	Payment security for suppliers	PLN	2 639 971	8 875 182
			121 408 320	**127 708 492**

** - Guarantees in EUR were converted into PLN according to the average exchange rate of the National Bank of Poland:*
31.12.2021: 1 EUR = 4,5994 PLN,
31.12.2020: 1 EUR = 4,6148 PLN.

Other administrative proceedings

On 2 October 2020, the Company received the Order of the President of the Office of Competition and Consumer Protection of 28 September 2020 on the initiation of ex officio against Eurocash S.A. proceedings on practices dishonestly using contractual advantage. When initiating the proceedings, the President of UOKiK decided that it should be verified whether certain practices applied by Eurocash S.A. could be qualified as the use of contractual advantage. In the decision to initiate the procedure, the President of UOKiK indicated two questionable forms of settlements between Eurocash and suppliers - i.e. collecting remuneration for (i) general-network services / sales support services, and (ii) services to expand sales markets. As part of the ongoing proceedings, in response to the request of the President of the Office of Competition and Consumer Protection, the Company announced that from 2017 it did not receive any remuneration for services to expand sales markets, while in the period from 01.01.2019 to 31.10.2020 it charged suppliers with a total amount of approx. PLN 19 million for the provision of general-network services / sales support. At the same time, the Company from 01.01.2021. implementing the project started in 2017. strategy of simplifying relationships with suppliers, it stopped providing general-network services / sales support and collecting remuneration for suppliers, about which it informed the President of UOKiK. On 30 November 2021. The President of the Office of Competition and Consumer Protection (UOKiK) issued a decision in which he found that the Company had committed a practice dishonestly using the contractual advantage consisting in requiring suppliers of agricultural and food products to pay fees for services that are not performed on their behalf or are performed, but about their implementation, including costs and the results, the suppliers are not informed and for this reason they imposed a fine on the Company in the amount of PLN 76,019,901.23. The company does not agree with the position of the President of the Office of Competition and Consumer Protection, therefore on 30 December 2021 appealed against the decision of the President of UOKiK to the Court of Competition and Consumer Protection. In connection with the above, the Company has not established a provision on this account. The obligation to pay a fine imposed by the President of the Office of Competition and Consumer Protection arises only after the decision becomes final, i.e. after the judgment is issued by the Court of Second Instance (Court of Appeal). Under the present conditions, the duration of the proceedings from the issuance of the decision to the issuance of a final judgment by the Court of Appeal is approximately 4-5 years.

All amounts are expressed in Polish zloty (unless indicated otherwise)

NOTE 36.
COLLATERALS

Collaterals as at 31.12.2021:

Title	Secured property	31.12.2021	31.12.2020
Security of an agreement on a credit line **	Deposit on inventories	90 000 000	90 000 000
Security of an agreement on a credit line **	Deposit on inventories	88 000 000	88 000 000
Security on the syndicated loan agreement	Deposit on inventories Eurocash Serwis Sp. z o.o.	9 547 300	9 547 300
Security on the syndicated loan agreement	Deposit on inventories Eurocash Franczyza Sp. z o.o.	3 800 000	3 800 000
Security of an EBOR credit **	Mortgage on 13 properties	333 750 000	333 750 000
Lease agreements (at net value of tangible fixed assets on the balance sheet date)	Deposit on fixed assets in leasing	662 484	562 552
		525 759 784	**525 659 852**

NOTE 37.
FINANCIAL RISK MANAGEMENT

General information

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

a. Credit risk
b. Liquidity risk
c. Market risk

In addition, the Company implements a policy regarding:

d. Capital management
e. Determining fair values

This note contains information about the Company's exposure to each type of risk indicated above and also describes the objectives, policies and procedures related to risk and capital management. Disclosures of numerical data have been included in these consolidated financial statements.
The Company is a part of Capital Group Eurocash S.A. Its policy and strategy in the field of financial management results from the rules and procedures applicable throughout the Group. The Company is the Parent Entity in this Group.
The Management Board of the Parent Entity is responsible for determining and fulfilling the risk management policy, which in order to fulfill these tasks has set up risk management teams, whose responsibilities include building and monitoring individual risk management policy.
The risk management policy is implemented to identify and analyze risks related to the Company's activity and to set appropriate limits, control risk and monitor deviations from these limits. The risk management policy and system are regularly reviewed to ensure that they correspond to current changes in market conditions and the Company's operations. By raising qualifications, adopting

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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 31.12.2021	as at 31.12.2020
Receivable and loans	1 019 750 110	1 084 434 286
Cash and cash equivalents *	17 933 450	20 399 722
Other financial assets	17 543 034	0
Total	**1 055 226 593**	**1 104 834 008**

* 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:

- 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.
- Cash & Carry wholesalers and own stores are characterized by a very high share of sales for cash. For the Cash & Carry business, this percentage is 95%. The credit risk of this group of contractors is managed by the credit control and debt collection team included in the Treasury Department. The process uses the same computer methods and systems, and the same staff as in the following processes for credit sales to franchise networks and independent customers.
- 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 67%. 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

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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 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 4 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.

– 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 2021, 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 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.

AGEING OF TRADE RECEIVABLES AND BAD DEBT ALLOWANCES AS AT 31.12.2021	Trade receivables gross as at 31.12.2021	Trade receivables gross as at 31.12.2020
current	901 981 706	974 643 743
1-30 days	83 130 571	67 754 628
31-90 days	21 070 652	34 657 392
91-180 days	1 179 554	6 336 314
> 180 days	26 976 336	29 054 537
Total	**1 034 338 820**	**1 112 446 614**

ALLOWANCE FOR BAD DEBTS AS AT 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Opening balance	48 570 831	38 655 791
Increases*	0	9 915 039
Decreases*	−10 071 274	0
Closing balance	**38 499 556**	**48 570 831**

**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.

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 2021 amounted to PLN 1.223,4 thousand. PLN (as at 31 December 2020: PLN 1,335.0 thousand).

FACTORING LINES BY MATURITY DATE AS AT 31.12.2021

PLN	**Factoring lines by maturity**				**TOTAL**
	Short-term lines			**Long-term lines**	
	2Q 2022	3Q 2022	4Q 2022		
Factoring limits	488 350 000	151 623 000	125 000 000	458 400 000	1 223 373 000
Use as at 31.12.2021	422 088 792	149 820 349	124 998 980	416 672 879	1 113 581 000

FACTORING LINES BY MATURITY DATE AS AT 31.12.2020

PLN	**Factoring lines by maturity**				**TOTAL**
	Short-term lines			**Long-term lines**	
	2Q 2022	3Q 2022	4Q 2022		
Factoring limits	461 900 000	339 777 000	533 353 000	-	1 335 030 000
Use as at 31.12.2020	322 821 888	298 701 577	498 063 223	-	1 119 586 687

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 2021, 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 2021, 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. 54% of the balance of trade liabilities) and financial instruments (approx. 46% 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 1,11 billion (31.12.2020: PLN 1,22 billion). Trade liabilities covered by the reverse factoring agreements do not significantly change the terms of trade liabilities. As at 31 December the Company has active reverse factoring contracts with seven factors - renowned financial institutions, while the largest contract value of liabilities was PLN 420.6 million as at 31 December 2021 (PLN 469.7 million as at 31 December 2020). The company used factoring lines in 91% as at the balance sheet date, 31 December 2021, while in the previous year this use was 85%.

– The company also has the option to discount receivables. The company maintains receivables factoring programs and their use as at 31 December 2021 does not exceed PLN 166,2 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.

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 894,6 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 31.12.2021, the limit was used up to the amount of PLN 375 million (31.12.2020: 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 213,84 million. As at 31 December 2021, the limit was fully used (As at 31 December 2020, the loan was also used in full, but its availability was PLN 222.75 million)
- 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 138 million as at 31.12.2021 (31.12.2020: PLN 134 million). The utilization as at 31.12.2021 is PLN 32,7 million (31.12.2020: 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 31.12.2021 PLN 260 million (31.12.2020: 165 PLN million) and their use is PLN 147,5 million (31.12.2020: 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.

CREDIT LINES BY MATURITY DATE AS AT 31.12.2021

PLN	Credit lines by maturity date as at				TOTAL
	Short-term lines			Long-term lines	Linie długoterminowe
	2Q 2022	3Q 2022	4Q 2022		
Credit limits	72 820 000	150 000 000	148 000 000	841 020 000	1 211 840 000
Use as at 31.12.2021	48 922 547	75 000 000	32 851 679	612 388 560	769 162 786

CREDIT LINES BY MATURITY DATE AS AT 31.12.2020

PLN	Credit lines by maturity date as at					TOTAL
	Short-term lines				Long-term lines	
	1Q 2021	2Q 2021	3Q 2021	4Q 2021		
Credit limits	95 000 000	8 910 000	119 000 000	10 000 000	888 840 000	1 121 750 000
Use as at 31.12.2020	35 366 197	8 910 000	102 514 302	8 680 723	463 840 000	619 311 222

All amounts are expressed in Polish zloty (unless indicated otherwise)

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 31.12.2021, 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 31.12.2021 is PLN 16.8 million (liability recognized in the statement of financial position)
- for sureties for the same franchisees under their financial agreements for the amount of PLN 0.18 million (included in contingent liabilities)
- for sureties for leasing and loan agreements for Frisco S.A. a total of PLN 45.8 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:

LIQUIDITY RISK

AS AT 31 DECEMBER 2021	Net book value	< 12 months	1-5 years	> 5 years
Financial lease liabilities	1 006 396 264	176 292 276	530 890 745	299 213 243
Liabilities due to financing of franchisees	16 763 774	16 763 774	0	0
Trade and other payables	1 736 079 806	1 720 582 802	15 497 004	0
Loans and borrowings	1 027 153 712	456 133 712	571 020 000	0
The issuance of debt securities	125 000 000	0	125 000 000	0
Suppliers financing program	1 113 580 999	1 113 580 999	0	0
	5 024 974 556	**3 483 353 564**	**1 242 407 748**	**299 213 243**

LIQUIDITY RISK

restated*

AS AT 31 DECEMBER 2020	Net book value	< 12 months	1-5 years	> 5 years
Lease liabilities	1 083 514 133	173 764 036	540 939 342	368 810 755
Liabilities due to financing of franchisees	16 424 543	16 424 543	0	0
Trade and other payables	1 545 278 624	1 544 846 554	432 070	0
Other financial liabilities	21 098 152	15 414 944	5 683 208	0
Loans and borrowings	1 206 880 698	742 195 698	464 685 000	0
The issuance of debt securities	125 000 000	0	125 000 000	0
Suppliers financing program	1 119 586 687	1 119 586 687	0	0
	5 117 782 837	**3 612 232 461**	**1 136 739 620**	**368 810 755**

* Note 1

All amounts are expressed in Polish zloty (unless indicated otherwise)

The structure of trade liabilities according to their payment dates as at the balance sheet dates is presented in the table below:

AGING OF TRADE LIABILITIES AS AT 31.12.2021	Trade liabilities gross as at 31.12.2021	Trade liabilities gross as at 31.12.2020
		restated *
current	2 800 868 535	2 641 214 778
1-30 days	0	0
31-90 days	0	0
91-180 days	0	0
> 180 days	0	0
Total	**2 800 868 535**	**2 641 214 778**

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 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.

All amounts are expressed in Polish zloty (unless indicated otherwise)

Liabilities as at 31.12.2021 in PLN	**896 090 901**
Value PLN	
agreements in EUR	313 145 743
agreements in PLN	582 945 157
Agreement currency value	
agreements in EUR	67 842 380
agreements in PLN	582 945 157

Liabilities as at 31.12.2020 in PLN	**931 395 699**
Value PLN	
agreements in EUR	328 748 818
agreements in PLN	602 646 881
Agreement currency value	
agreements in EUR	71 237 934
agreements in PLN	602 646 881

Cash flow from 01.01 to 31.12.2021	
Agreement currency value	
agreements in EUR	12 945 551
agreements in PLN	117 847 307

Cash flow from 01.01 to 31.12.2020	
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 currency exposure	PLN
sensitivity of the balance sheet exposure resulting from the valuation of rent agreements as at 31.12.2021	
1% decrease of PLN currency	-3 131 457
1% increase of PLN currency	3 131 457
sensitivity of exposure resulting from financial flow over a period of 12 months from 31.12.2021 under rent agreements	
1% decrease of PLN currency	-597 539
1% increase of PLN currency	597 539

sensitivity of 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 flow 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 2021. Both in 2020 and 2021, the Company did not have any open positions in currency derivatives. In 2022, we expect high volatility of exchange rates, mainly due to the war in Ukraine. Nevertheless, we believe that the exposure to this risk is so small that even this higher than usual volatility will not significantly affect the profitability and liquidity of the Company.

I. Interest rate risk

All amounts are expressed in Polish zloty (unless indicated otherwise)

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.

31 December 2021	< 1 year	2-5 years	> 5 years	Total
Cash and cash equivalents	19 262 571	0	0	**19 262 571**
The issuance of debt securities	0	−125 000 000	0	**−125 000 000**
Liabilities subject to reverse factoring	−1 113 580 999	0	0	**−1 113 580 999**
Factoring of receivables without recourse	−145 074 051	0	0	**−145 074 051**
Credits and loans	−456 133 712	−571 020 000	0	**−1 027 153 712**

31 December 2020	< 1 year	2-5 years	> 5 years	Total
Cash and cash equivalents	20 609 792	0	0	**20 609 792**
The issuance of debt securities	0	−125 000 000	0	**−125 000 000**
Liabilities subject to reverse factoring	−1 119 586 687	0	0	**−1 119 586 687**
Factoring of receivables without recourse	−95 574 051	0	0	**−95 574 051**
Credits and loans	−742 195 698	−464 685 000	0	**−1 206 880 698**

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:

FIXED AND VARIABLE INTEREST RATE INSTRUMENTS	31.12.2021	31.12.2020
Fixed interest rate instruments		
Financial assets	17 904 609	0
Financial liabilities	1 006 396 264	1 104 612 285
Variable interest rate instrument		
Financial assets	20 862 571	20 609 792
Financial liabilities	2 410 808 762	2 547 041 436

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. 2020.

All amounts are expressed in Polish zloty (unless indicated otherwise)

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS	Income statement increases 100bp	Income statement decreases 100bp	Equity increases 100bp	Equity dereases 100bp
31 December 2021	−23 899 462	23 899 462	6 754 905	(6 841 252)
31 December 2020	−25 264 316	25 264 316	15 921 879	(16 268 404)

The sensitivity analysis covers, respectively:
• the impact of one-percent (up and down) changes in interest rates on debt instruments - in the amount of interest analyzed, assuming the debt value remains unchanged
• the impact of one-percent (up and down) changes in the yield curve on derivative instruments - in the amount equal to the change in the valuation of these instruments

The Company hedges the risk of interest rate changes in order to reduce the impact of changes in interest rates on the level of financial costs and to eliminate the mismatch resulting from income settlements (regarding prepayment discounts between the Company and suppliers of goods) and costs (resulting from factoring programs).

As at 31 December 2021 the list of swap transactions concluded was.

Transaction date	Nominal value	Status	Start	End	Valuation as at 31.12.2021
26.06.2019	100 000 000	In progress	22.02.2021	22.02.2022	81 855,46
26.06.2019	100 000 000	In progress	29.01.2021	31.01.2022	35 191,33
06.06.2019	100 000 000	In progress	11.01.2021	11.01.2022	6 292,39
26.06.2019	100 000 000	In progress	18.01.2021	18.01.2022	11 162,46
26.06.2019	100 000 000	In progress	25.01.2021	25.01.2022	18 056,83
30.08.2019	100 000 000	In progress	02.09.2019	31.08.2022	1 208 047,65
30.08.2019	100 000 000	In progress	02.09.2019	31.08.2022	1 208 047,65
29.08.2019	100 000 000	In progress	02.09.2019	29.07.2022	1 069 398,72
28.02.2020	200 000 000	Before start	07.01.2022	09.01.2023	4 796 622,66
04.03.2020	100 000 000	In progress	08.01.2021	07.01.2022	14 279,23
09.03.2020	100 000 000	In progress	05.03.2021	06.03.2023	3 256 551,63
03.03.2020	100 000 000	Before start	04.03.2022	06.03.2023	2 710 544,03
07.04.2021	100 000 000	Before start	17.01.2022	16.01.2023	3 126 983,77
					17 543 033,81

As at 31 December 2020 the list of transactions concluded was.

Transaction date	Nominal value	Status	Start	End	Valuation as at 31.12.2020
27.12.2018	100 000 000	In progress	31.01.2020	29.01.2021	-124 237,72
15.01.2019	100 000 000	In progress	09.01.2020	11.01.2021	-38 277,62
15.01.2019	100 000 000	In progress	16.01.2020	18.01.2021	-65 115,78
15.01.2019	100 000 000	In progress	23.01.2020	25.01.2021	-128 385,86

All amounts are expressed in Polish zloty (unless indicated otherwise)

09.04.2019	100 000 000	In progress	21.02.2020	22.02.2021	-264 668,69
26.06.2019	100 000 000	In progress	28.02.2020	26.02.2021	-239 133,14
26.06.2019	100 000 000	Before start	22.02.2021	22.02.2022	-1 555 014,49
26.06.2019	100 000 000	Before start	29.01.2021	31.01.2022	-1 549 795,32
06.06.2019	100 000 000	Before start	11.01.2021	11.01.2022	-1 557 930,32
26.06.2019	100 000 000	Before start	18.01.2021	18.01.2022	-1 550 210,01
26.06.2019	100 000 000	Before start	25.01.2021	25.01.2022	-1 557 652,51
30.08.2019	100 000 000	In progress	02.09.2019	31.08.2022	-2 266 275,32
30.08.2019	100 000 000	In progress	02.09.2019	31.08.2022	-2 266 275,32
29.08.2019	100 000 000	In progress	02.09.2019	29.07.2022	-2 304 253,93
28.02.2020	200 000 000	Before start	07.01.2022	09.01.2023	-2 145 318,29
04.03.2020	100 000 000	Before start	08.01.2021	07.01.2022	-914 959,87
09.03.2020	100 000 000	Before start	05.03.2021	06.03.2023	-1 590 124,13
03.03.2020	100 000 000	Before start	04.03.2022	06.03.2023	-980 523,31
					-21 098 151,63

Due to the situation in Ukraine and the continuing pandemic, the Group expects that the increase in interest rates that took place at the turn of 2021/2022 and in the first months of 2022 will be related to increased costs not only throughout 2022 but also in 2023 and potentially in the following years. The Group's financial and liquidity plans assume just such a scenario.

f) Risk of changes in fuel and energy prices

The Company 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 2021, 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.

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.

Determining fair values

As at 31 December 2021, the fair value of financial instruments was similar to their carrying amount. The Group has instruments hedging interest rate risk, IRS, which are measured at fair value. For these IRS, the fair value was classified to level 2 of the hierarchy - the fair value is determined on the basis of values observed on the market, however, which are not a direct market quote (e.g. they are determined by direct or indirect reference to similar instruments existing on the market). In connection with the hedge accounting used, the valuation effect is recognized in other comprehensive income.

According to the Company's assessment, the fair value of cash, short-term deposits, trade receivables, trade payables, bank loans, loans and financial lease liabilities as well as other financial assets and liabilities does not differ from the balance sheet amounts

NOTE 38.

HEDGE ACCOUNTING

The company applies cash flow hedge accounting. At the end of the reporting period, the Company applied hedge accounting for linking the hedging risk component (the base rate of variable interest) to a specific amount of the factoring agreement portfolio with the use of IRS contracts.

The interest rate risk is the hedged risk under the cash flow hedge accounting applied by the Company.

Based on the historical interest rate volatility analysis, the Company concludes that the hedged risk component (ie the reference rate over the entire interest rate) historically represented an average of 26% of the total cash flow from the floating rate factoring portfolio.

The Company's approach to managing market risk, including interest rate risk, is presented in this Note, which also discloses details of the Group's exposure to interest rate risk. By using derivative instruments to hedge its exposure to changes in interest rates, the Company is also exposed to the credit risk of the counterparty of a derivative transaction, which the Company limits by concluding transactions on hedging instruments with counterparties with high creditworthiness (banks with at least investment ratings awarded by prestigious agencies rating).

All amounts are expressed in Polish zloty (unless indicated otherwise)

In the relationship securing factoring contracts, the Company uses the BPV quantitative test to assess whether an economic relationship exists due to the mismatch in the timing of cash flows. A BPV test result of at least 80% indicates a high degree of linkage and therefore an economic link.

The Company determines the hedging ratio as the ratio of the nominal value of the currently used hedging instrument to the nominal value of the currently hedged item, ie the amount of the predicted factoring transactions layer.

As regards the applied cash flow hedging relationships, the main sources of ineffectiveness identified by the Company are: (1) counterparty credit risk, (2) mismatch in the timing of cash flows, and (3) in a possible decrease in the balance below the level designated in the layer for the hedged item.

The Company does not identify other sources of ineffectiveness in terms of the hedging relationships used.
The tables below present the quantitative effects of the application of cash flow hedge accounting on equity and the profit and loss account.

Nominal values of derivatives hedging cash flows

	Time remaining to maturity					
2021	**<1 month**	**1– 3 months**	**3 months – 1 year**	**1-5 years**	**>5 years**	**TOTAL**
Nominal value	500 000 000	100 000 000	300 000 000	520 303 000	0	**1 420 303 000**
Average interest rate	1,56%	1,67%	1,50%	1,03%	0	**1,36%**

	Time remaining to maturity					
2020	**<1 month**	**1– 3 months**	**3 months – 1 year**	**1-5 years**	**>5 years**	**TOTAL**
Nominal value	400 000 000	200 000 000	0	1 300 000 000	0	**1 900 000 000**
Average interest rate	1,66%	1,69%	0,00%	1,42%	0	**1,51%**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Effect of cash flow hedging on the balance sheet and financial result in terms of hedging instruments

INTEREST RATE RISK for IRS contracts (PLN)		2021	2020
Nominal valuea		1 420 303 000	1 900 000 000
Balancr sheet value	Assets	17 493 961	0
	Liabilities		21 098 152
Name of the balance sheet item that contains the hedging instrument		Financial assets	Financial liabilities
Change in the fair value of the hedging instrument used as the basis for recognizing the hedge ineffectiveness in a given period		17 493 961	-21 098 152
Hedge gains or losses for the reporting period that have been recognized in other comprehensive income		27 192 199	-29 827 476
The amount of hedge ineffectiveness included in the profit and loss account		49 073	0
Item in the statement of comprehensive income (income statement) that includes the amount of the ineffectiveness		Result on financial instruments at fair value through profit or loss	Result on financial instruments at fair value through profit or loss
Amount reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment		-11 399 914	-9 572 149
Item in the statement of comprehensive income (income statement) that includes a reclassification adjustment		Financial costs	Financial costs

Impact of the cash flow hedge on the balance sheet and financial result with respect to the hedged item

2021 (PLN)	The change in the value of the hedged item used as the basis for recognizing the effectiveness of the hedge in a given period	The balance of the cash flow hedge reserve for continued hedging	Balance remaining in the cash flow hedge reserve for any hedging relationship for which hedge accounting is no longer applied
Liabilities under floating-rate factoring agreements	-17 624 106	17 414 098	0
TOTAL	**-17 624 106**	**17 414 098**	**0**

2020 (PLN)	The change in the value of the hedged item used as the basis for recognizing the effectiveness of the hedge in a given period	The balance of the cash flow hedge reserve for continued hedging	Balance remaining in the cash flow hedge reserve for any hedging relationship for which hedge accounting is no longer applied
Liabilities under floating-rate factoring agreements	21 340 016	20 748 607	0
TOTAL	**21 340 016**	**20 748 607**	**0**

All amounts are expressed in Polish zloty (unless indicated otherwise)

Movements in the cash flow hedge reserve

INTEREST RATE RISK

PLN	2021	2020
AS AT THE BEGINNING OF THE PERIOD	**-21 098 152**	**-842 825**
Hedge gains or losses recognized in other comprehensive income during the reporting period	27 192 199	-29 827 476
Part of the loss transferred to the profit and loss account due to the lack of expectation of the occurrence of the hedged item	0	0
The amount reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment, including the following profit and loss lines:	-11 399 914	-9 572 149
Interest expenses	-11 399 914	-9 572 149
AS AT THE END OF THE PERIOD	**17 493 961**	**-21 098 152**
Deferred tax asset recognized in revaluation reserve	-21 098 152	-842 825
Closing balance including deferred tax	27 192 199	-29 827 476

NOTE 39.
CLIMATE CHANGES

Eurocash is not exposed to the direct effects of climate change. In the long term, there is a risk of indirect climate change impacts affecting supply chains, customers, financing, insurance, and laws and regulations. However, as at the date of these financial statements, the Company did not show any significant influence on the annual financial statements of the Company.

NOTE 40.
OTHER SUBSEQUENT EVENTS

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 order to secure financial liquidity in the event of unfavorable epidemic scenarios, the Company uses additional financing as part of the anti-crisis shield. Details can be found in section 2.1.7. The pandemic situation was considered in the impairment tests - for disclosures, see note 6.

NOTE 41.
IMPORTANT EVENTS AFTER THE PERIOD COVERED BY THE FINANCIAL STATEMENTS

The war in Ukraine

On 24 February 2022, Russian troops attacked Ukraine and an armed conflict began, which will certainly have long-term consequences not only for Poland or Europe, but also for the world.
In response to the invasion, US and EU representatives imposed sanctions on Russia. The sanctions package is intended, in particular, to hinder the conduct of international trade. The sanctions also include issues such as the disconnection of Russian banks from the SWIFT system, obstruction of the activities of the Russian central bank, or the closure of airspace to Russian planes. Canada, Switzerland and Japan also joined the various activities undertaken by the US, EU and Great Britain in February 2022. The introduction of sanctions caused, inter alia, suspension of the Russian stock exchange, a sharp increase in cash turnover, a collapse of the ruble exchange rate.
The role of Russia and Ukraine in the broadly understood international trade is concentrated in narrow sectors in which both countries are large producers. This applies to energy resources (natural gas and crude oil) and agricultural produce.
Therefore, there is a high probability that in the long run we will pay more for fuel, gas, electricity and food, which will probably result in a further increase in inflation observed since 2021.
Due to the close proximity of Poland to both countries, a sudden influx of emigrants from Ukraine began, currently estimated at over a million people. On the other hand, many people of Ukrainian origin, living and working in Poland, decided to return to Ukraine to take part in the war. Both in the short and in the longer term, it may be important for the Polish labor market.
Eurocash operates in the territory of Poland, so the impact of hostilities should not have a significant impact on its current operations. However, the company employs many people from beyond our eastern

border and the potential outflow of some employees from Poland may have an impact on the current operations of the Company, although at the moment it is not noticeable.
However, the situation is very dynamic and it is difficult to predict the effects of hostilities in the long run. That is why Eurocash constantly monitors the situation both in Poland and abroad.
The economic effects for Eurocash should be considered in two short-term and medium-term paces. As we expect that in the short term (up to 1 year) there will be a decrease in imports and exports to / from Russia and Ukraine, an increase in public and private consumption, an increase in the supply of employees (especially women), a decrease in investments, a weakening of the Polish zloty, an increase in the prices of energy, fuel, gas and agricultural produce (imported in large quantities from Russia or Ukraine) and the economic slowdown in Europe, it will probably have multidimensional consequences for the Group. We can expect an increase in sales and a simultaneous increase in prices in this short term. Taking into account the labor market and the activities carried out by the Company consisting in the modernization of workplaces so as to enable an increase in the share of women in the logistics industry, in the perspective of the first half of 2022, we do not draw any negative scenarios that could affect the financial condition of the Company. In the so-called In the medium term, it is difficult to estimate the real risks, which will most likely be related to persistent inflation, potential sales drops, but probably quite favorable situation on the labor market and the persistent environment allowing for higher than usual margins. The demand in the industry in which the Company operates seems resistant to events such as the war in a neighboring country.

The Eurocash company was actively involved in helping Ukraine by organizing many collections of basic necessities and campaigns supporting employees from beyond our eastern border. The company has implemented, among others support program for employees from Ukraine, in cooperation with the Temporary Employment Agency. This made it possible to bring several hundred families of Group employees to our country.
The company also announced a boycott of Russian and Belarusian products, but estimates the impact of this decision will not be significant for its results. As an expression of solidarity with Ukraine, the Company decided to suspend the purchase and sale of these products in all its channels.

In connection with the situation in Ukraine, the Company also identifies an increased risk of depreciation of the Polish zloty and a potential increase in interest rates. Accordingly, in Note 37, the Company describes the nature of these risks and remedial actions

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	Paweł Surówka	14 April 2022	
Management Board Member	Luis Amaral	14 April 2022	
Management Board Member	Arnaldo Guerreiro	14 April 2022	
Management Board Member	Pedro Martinho	14 April 2022	
Management Board Member, Human Resources Director	Katarzyna Kopaczewska	14 April 2022	
Management Board Member, Financial Director	Jacek Owczarek	14 April 2022	
Management Board Member	Przemysław Ciaś	14 April 2022	
Management Board Member	Dariusz Stolarczyk	14 April 2022	
Management Board Member	Tomasz Polański	14 April 2022	

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 2021, the financial statement of Eurocash S.A. for 2021,
the Management Board report on the operations of Eurocash S.A. Capital Group for 2021
and the Management Board report on the operations of Eurocash S.A. for 2021
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 2021 and the financial statements of Eurocash S.A. for 2021,
2) the Management Board report on the operations of Eurocash S.A. Capital Group for 2021 and the Management Board report on the operations of Eurocash S.A. for 2021,
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 2021,
2) the financial statement of Eurocash S.A. for 2021,
3) the Management Board report on the operations of Eurocash S.A. Capital Group for 2021,
4) the Management Board report on the operations of Eurocash S.A. for 2021.

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 2021 and of the financial result for the financial year as from 01 January 2021 to 31 December 2021, 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 2021 and Eurocash S.A. Capital Group in 2021 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 2021, 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 2021.

In the opinion of the Supervisory Board, the submitted consolidated financial statement for 2021, 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 2021.

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 2021 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, April 14, 2022

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

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, April 14, 2022

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 2021,
- the report of the Management Board on business operations of Eurocash S.A. and Eurocash S.A. Capital Group in 2021 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, April 14, 2022

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Paweł Surówka
President of the Management Board

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Luis Amaral
Member of the Management Board

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Pedro Martinho
Member of the Management Board

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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

____
Dariusz Stolarczyk
Member of the Management Board

____
Tomasz Polański
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, April 14, 2022

Paweł Surówka President of the Management Board	Luis 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	Dariusz Stolarczyk Member of the Management Board
Tomasz Polański Member of the Management Board	

Due signatures on the original