

**Warszawa, 14<sup>th</sup> of May 2021**

**Eurocash S.A.**

**For the Management Board of Eurocash S.A.**

**REPORT ON THE IMPLEMENTATION OF THE AGREED PROCEDURES FOR EUROCASH S.A.  
WITH REGARD TO THE FINANCIAL RATIOS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**1. Introduction**

We performed the procedures agreed with you in relation to the financial ratio of Net Debt to EBITDA ("Financial Ratio"), calculated by Eurocash S.A. ("Company", "Eurocash") in accordance with the provisions of the Issue Agreement Eurocash S.A. Bonds Program ("Bond Issue Agreement") up to the amount of PLN 1,000,000,000 of November 18, 2020 between Eurocash S.A. as the Issuer, and BNP Paribas Bank Polska SA, Powszechna Kasa Oszczędności Bank Polski SA as the Parties, and in accordance with the provisions of the Bond Issue Terms ("Terms of Issue") for series B bonds issued on December 23, 2020. Our order was carried out in accordance with the National Standard on Related Services No. 4400 in the wording of the International Standard on Related Services 4400 "Agreed Procedures Relating to Financial Information". The procedures are described in detail in the rest of this Report.

As the procedures referred to above do not constitute a complete audit or a review within the meaning of a National/International Standards on Auditing or a National/International Standard on Review, we do not make any assurances about the calculation of the Financial Ratios as at December 31, 2020.

If we had performed additional procedures, or if we had conducted a full audit or review in accordance with National/International Standards on Auditing or in accordance with National/International Standards on Review, it might be that other matters would come to our attention that you would be made aware of in our Report.

This report should be read in its entirety, as any separate analysis of its parts may lead to erroneous conclusions.

This report has been prepared solely for its addressee and only in relation to the obligation to prepare the calculation of the Eurocash S.A. Financial Ratio. resulting from the Bonds Issue Agreement and the Terms of Issue and the preparation of the Certificate of Conformity by the Management Board of Eurocash S.A. The preparation of the calculation of the Financial Ratios and the Declaration of Conformity is the sole responsibility of the Management Board of the Company.

This Report concerns only Financial Ratios, and the issues discussed in it do not translate into the financial statements of Eurocash S.A. treated as a whole.

We consent to the presentation of this Report by the Company, only in full, to the parties to the Bond Issue Agreement and the Issue Terms. However, we are not liable for this and we do not accept any encumbrances for this. To the fullest extent permitted by law, we are not responsible for the content of this report or the conclusions contained in it towards any third parties, i.e. other than the Management Board of Eurocash S.A..

**2. Procedures performed and limitation of liability**

The value of the Financial Ratio Net Debt to EBITDA was calculated by the Treasury Department and the Eurocash Finance Department based on the consolidated financial statements of the Eurocash S.A. Capital Group. in which the parent company is Eurocash S.A. for the year ended December 31, 2020 and additional documentation.

The consolidated financial statements of the Group were the subject of our audit and on March 10, 2021, we issued an unqualified opinion on these financial statements and the consolidated financial statements.

The purpose of our audit was to obtain reasonable assurance whether the financial statements of the Company and the consolidated financial statements of the Group taken as a whole do not contain any material misstatement, whether due to fraud or error, and to issue an audit report containing our opinion. The audits of the financial statements were not carried out for purposes related to the calculation of Financial Ratios by the Company.

We have not audited the IFRS16 adjustments and intra-group exclusions, as well as the additional statements used by the Company in the calculation of the Financial Ratio, and we do not make any assurances regarding these financial data and additional information.

The procedures were performed solely for the purpose of granting the Management Board of Eurocash S.A. assistance in assessing the credibility of the calculation of financial ratios as at December 31, 2020 and included:

- agreeing on the amounts being the basis for the calculation of the Financial Ratio to:
  - financial data included in the consolidated financial statements of the Group for the financial year ended on December 31, 2020,
  - turnover and balance statements and a consolidation sheet based on which the Group's consolidated financial statements for the financial year ended on December 31, 2020 were prepared,
  - entries and additional records and accounting documentation prepared by the Company,
- verification of the correctness of the arithmetic calculations of the Financial Ratio.

Our procedures did not include the interpretation of the definition and the correctness of the position of the Financial Ratio calculation prepared by the Company in accordance with the requirements of the Bonds Issue Agreement and the Terms of Issue. Please note that EBITDA is a measure that has not been defined in the International Accounting Standards and International Financial Reporting Standards approved by the European Union, on the basis of which the Company's financial statements for the year ended December 31, 2020 and the Group's consolidated financial statements for the year ended December 31, 2020 were prepared.

Ensuring sufficient procedures is the sole responsibility of the Management Board of Eurocash S.A., which agreed and commissioned them. Therefore, we do not give an opinion as to whether the procedures carried out are sufficient for the purposes of this Report or for any other purposes.

The Management Board of the Company is responsible for the preparation of the financial statements of the Company and the consolidated financial statements of the Group, which present a fair and clear picture of the property and financial position and financial result of the Company as well as the consolidated property and financial position and the consolidated financial result of the Group in accordance with the International Financial Reporting Standards approved by the European Union, the adopted accounting principles (policy), the legal regulations applicable to the Group and the Company's Articles of Association, and for the credibility of the consolidation documentation.

The Management Board of the Company is responsible for the preparation of the Financial Ratio calculation and the preparation of the Financial Ratio Certificate.

## **2. Results of performed procedures**

The calculation of the Financial Ratio was based on the data from the Group's consolidated financial statements for the year ended December 31, 2020, turnover and balance statements and the consolidation sheet based on which the Group's consolidated financial statements for the financial year ended December 31, 2020 were

prepared, the financial statements of the Company for the financial year ended December 31, 2020 as well as entries and additional records and accounting documentation prepared by the Company.

### 3.1. Net Debt to EBITDA of the Group

The calculation of the Financial Ratio of Net Debt to EBITDA of the Group is presented in the table below:

Item	Value in PLN thous.	Agreed with
<b>EBITDA</b>	<b>434 250</b>	
(+)Operating profit	250 429	Consolidated financial statements of Eurocash Capital Group for the year ended on December 31, 2020 - consolidated profit and loss account
(+)Depreciation	553 511	Consolidated financial statements of Eurocash Capital Group for the year ended on December 31, 2020 - consolidated cash flow statement
(-)The IFRS16 effect for EBITDA	(376 080)	List of rent costs for the purposes of calculating the IFRS16 effect by the Group for the year ended December 31, 2020 - unaudited
(+)decrease in the value of fixed assets and intangible assets, in connection with the write-off for permanent impairment of fixed assets	6 390	Consolidated financial statements of Eurocash Capital Group for the year ended on December 31, 2020 - Note no. 29
<b>Net debt</b>	<b>762 346</b>	
(+)Long-term credits and loans	463 870	Consolidated financial statements of Eurocash Capital Group for the year ended on December 31, 2020 - consolidated statement of financial position
(+)Other long-term financial liabilities	130 683	Consolidated financial statements of Eurocash Capital Group for the year ended on December 31, 2020 - consolidated statement of financial position
(+)Short-term credits and loans	227 058	Consolidated financial statements of Eurocash Capital Group for the year ended on December 31, 2020 - consolidated statement of financial position
(+)Other short-term financial liabilities	31 839	Consolidated financial statements of Eurocash Capital Group for the year ended on December 31, 2020 - consolidated statement of financial position
(+)Surety for liabilities resulting from the franchise partners' financing program	715	Consolidated financial statements of the Eurocash Capital Group for the year ended on December 31, 2020 - note no. 35
(+)Financial lease liabilities (other than contracts recognized due to IFRS16)	25 673	List of contracts as at December 31, 2020 classified as financial leases in accordance with the accounting principles in force in 2018 - a list prepared by the Eurocash Finance Department - unaudited
(-)Cash and cash equivalents	(117 492)	Consolidated financial statements of Eurocash Capital Group for the year ended on 31 December 2020 - consolidated statement of financial position
<b>Net Debt to EBITDA</b>	<b>1,76</b>	

### 3. Conclusion

We performed the procedures in relation to the calculation of the Financial Ratio as indicated in point 2 of this Report. As presented in point 3 of this Report, we have reconciled the values included in the calculation of the Financial Ratio to the values resulting from the consolidated financial statements of the Group for the year ended December 31, 2020 and additional documentation, and we found the compliance of these values. Moreover, we verified the correctness of the arithmetic calculations made.

Yours faithfully

On behalf of

Ernst & Young Audyt Polska

spółka z ograniczoną odpowiedzialnością sp. k.

Rondo ONZ 1, 00-124 Warszawa

Robert Klimacki

Partner

## **Annex no. 1**

### **Basic definitions and rules for calculating the Financial Ratios specified in the Bonds Issue Agreement and in the Issue Terms**

**“Net debt”** means the Financial Debt of the Issuer's Group, less free cash held by the Issuer's Group on the last day of each Audit Period

**“EBITDA of the Group”** means, for the Audit Period, the profit (loss) on the operating activities of the Issuer's Group achieved during the Audit Period, increased by depreciation (and if applicable, taking into account the pro forma consolidation of operating profit (loss) plus depreciation of the acquired entity and its subsidiaries subject to consolidation), with the exclusion of: (i) increase or decrease in the value of fixed assets and intangible assets, in connection with a write-off for permanent diminution in value of fixed assets or the reversal of this write-off, and (ii) changes in the valuation of management options, without double counting, adjusted by:

(a) exclusion of the costs of rent contracts recognized in the financial statements incurred in a given Calculation Period; and

(b) recognition of depreciation charges under rent contracts that are classified as Financial Leases under IFRS 16.

**“Financial Lease”** means any lease or hire purchase agreement under which the resulting liability would be treated as a liability under IFRS.

**“Audit Period”** means: (i) each 12-month period ending on: March 31, June 30, September 30 and December 31 of each year

**“Issue Supplement”** means an integral part of these Terms of Issue, constituting Annex 1 to the Terms of Issue, specifying the detailed parameters of the issue of the Bonds, and together with the Terms of Issue, a single document.

**„Financial Ratio”** means the Net Debt to EBITDA of the Group

**„Financial Debt”** means each debt on a given day due to (without double counting):

(a) borrowed cash (both under loan and credit agreement);

(b) bonds, bills of exchange (other than securing trade liabilities) or other debt securities;

(c) the amount of any Financial Lease liabilities (except for financial liabilities classified after the entry into force of IFRS 16 as Financial Leases, calculated on the basis of the installment amount and the duration of the lease, rental or operating lease or other similar contract that prior to the commencement of the term of IFRS 16 was not classified as a Financial Lease adjusted for an appropriate discount rate);

(d) receivables sold or discounted with recourse;

(e) transactions in derivative instruments entered into in order to protect against, or to benefit from, fluctuations in exchange rates, rates or prices (where in calculating the value of Financial Debt arising from transactions in derivative instruments (i), account should be taken of the sum of the valuations of such transactions at the date of calculation (mark-to-market) and (ii) only negative value of such sum of valuations will be taken into account;

(f) any obligation to return the benefit paid in connection with a guarantee, stand-by or documentary letter of credit, and any other instrument issued by a bank or financial institution (without double counting);

(g) any other debt that qualifies as balance sheet financial debt under IFRS;

- (h) the amount of the liability due to accession to or assumption of debt resulting from the Financial Debt; and
- (i) guarantees or sureties for other entities in relation to the items referred to in points (a) to (h) above.

**Issuer** – Eurocash S.A. with registered office in Komorniki, ul. Wiśniowa 11, 62-052 Komorniki, entered into the Register of Entrepreneurs of the National Court Register kept by the District Court Poznań - Nowe Miasto and Wilda in Poznań, 8<sup>th</sup> Commercial Division of the National Court Register under KRS number 0000213765, tax ID number: 7791906082, REGON number: 631008941, share capital in the amount of PLN 139,163,286.00 (paid in full).