



EUROCASH

**SEPARATE ANNUAL REPORT
FOR THE 2017**

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the report of the above-mentioned Polish Company.

In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

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EUROCASH S.A.

REPORT OF THE MANAGEMENT BOARD
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

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, 22 March 2018

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LETTER FROM THE PRESIDENT

Dear Shareholders, Partners, Employees, Customers,

Over 20 years ago, we undertook a challenge and at the same time a commitment to support independent entrepreneurs running grocery stores in Poland. At that time, many experts predicted that these stores would be completely ousted from the market by discounters and hypermarkets. However, we have consistently invested to our clients benefit by building logistic, marketing and negotiation scale. We increased our level of investment even in the difficult period of price deflation combined with operating cost increases. Today, the position of small-format stores is strong. Despite the fact that the number of stores on the market is still declining, those of our clients who are professionalizing and adapting to new trends are increasing sales, often even faster than their biggest competitors - discounters.



As we look to the future, we are focusing on finding a number of new solutions in the belief that in a few years time the position of our customers in Poland will be stronger still. However, as we compete while also innovating to realize our vision, we face difficulties along the way, often caused by own mistakes. I consider that the year of 2017 was particularly affected by such difficulties and mistakes.

Our net result speaks for itself. The final result was influenced by the write-off caused by our allowing criminals to rob our Company. As soon as the first signals appeared, we conducted an internal investigation with the help of the best and most reputable advisors. We passed the results of the investigation to appropriate state institutions, at the same time covering the cost of potential liabilities that may have been evaded by entities purchasing goods from us allegedly for export. It could take many years to reclaim this amount, and it may even be impossible. In the same year, we lost concentration, especially at year-end, when we failed to achieve the expected profitability. This was influenced primarily by lower than expected margin but also by rising costs.

This year is behind us, but I would not say that it was altogether a lost year - we have developed lot of solutions which are destined to enhance the competitiveness of our clients.

Central logistics, serving Delikatesy Centrum and Eurocash Distribution, is the strength of our clients. The newly built platform for the distribution of fresh products with the highest quality is appreciated by both consumers and our franchisees. Our modern Customer Relationship Management System, based on artificial intelligence, is giving to our franchisees access to solutions that until now have never been available to independent entrepreneurs in Poland. "eHurt" is today one of the largest B2B online platforms in the country, the like of which is not to be found elsewhere in the world, and it will soon support store owners with business management solutions. Eurocash Academy,

the only business school of its kind in the country, gives access to knowledge and is eagerly used by stores owners and their employees. Faktoria Win is a concept that has rebuilt sales of the wine category in 4,500 independent stores in Poland. Frisco.pl is an online home delivery platform that will develop a fully automated logistics center in coming years and whose solutions will also be available to customers with stores in major cities in Poland. Duży Ben, our liquor store concept, is a response to our clients expectations who require specialization and proven alcohol sales standards. Kontigo and abc on wheels are projects that aim to complete the portfolio of stores that independent entrepreneurs can choose from.

In developing these projects, we need to be sure that their costs do not negatively affect the short-term profitability of our company. In this context, we have decided to split the Eurocash Group into two independently managed businesses: Wholesale and Retail. In the coming years, wholesale will focus on seeking synergies and using the best solutions developed in each Business Unit. Cost synergies will be realized firstly, on so-called non-trade purchases, which so far were executed separately by each format. Also, further logistic integration will be pursued, where both Alcohol and Impulse Product distribution will be integrated within the infrastructure serving Eurocash Distribution and Delikatesy Centrum today.

Going into the Retail business we are realizing a strategy blueprint defined 3 years ago. Retail will be a business bringing growth that is necessary for the Eurocash Group, but first and foremost for thousands of independent entrepreneurs cooperating with the Group. Within 5 years we will open 900 stores of so-called proximity supermarkets. We are going to create the first nationwide chain of such stores, which are to be recognizable and accessible to consumers also in the smallest towns in the country. Consumers will no longer have to go shopping for a dozen or so minutes by car to a larger city. The entrepreneur, on the other hand, will be able to join this idea as a franchisee, which will ensure his or her competitiveness against discounters. Meanwhile, our chain of own stores will allow us to accelerate work on innovations and bring a return much faster than before. Ultimately, all solutions will be delivered much faster to all franchisees, partners and customers of the Eurocash Group.

Finally, Eurocash Group will also be an excellent alternative for our suppliers, who have often mistakenly based their strategy on the chains of discounters or hypermarkets. On the one hand, our suppliers will be able to take advantage of access to the tens of thousands of professionally managed stores of our clients; on the other, they will have access to franchise chains and our own proximity supermarkets with a recognizable brand that is appreciated by the consumer.

This is a long-term plan, and in my opinion we are on the right track to achieve it. Just like 20 years ago, being Polish company listed on Warsaw Stock Exchange and operating only in Poland, we are closer to our clients with better understanding of needs, we remain committed to investing in their competitiveness today. Our values are Responsibility, Accountability, Teamwork, Transparency, Profit Sharing, Client service attitude, Work enjoyment and Entrepreneurial spirit. Over the years we have nurtured precisely these values. However, we must remember them also today. I require this of myself and of my colleagues in the Eurocash Group. As surely as we require this from each other, our

clients or shareholders may require it from us too. I truly believe that we are able to meet all of these requirements.

Sincerely

Luis Amaral

President of the Eurocash Group

1. SUMMARY OF EUROCASH OPERATIONS IN 2017

Table 1. Eurocash: Summary of 2017 Financial Performance

PLN m	2017	2016	Change %
Sales revenues (traded goods, materials)	14 859.17	14 225.19	4.46%
Gross profit (loss) on sales	1 544.36	1 504.98	2.62%
Gross profitability on sales (%)	10.39%	10.58%	-0.19 p.p.
EBITDA normalized*	206.52	246.47	-16.21%
<i>(Normalized EBITDA margin %)</i>	1.39%	1.73%	-0.34 p.p.
<i>Total impact of potential VAT liabilities on net profit</i>	114.40	0.00	0.00%
EBITDA reported	92.12	246.47	-62.62%
<i>(Reported EBITDA margin %)</i>	0.62%	1.73%	-1.11 p.p.
EBIT normalized*	92.39	134.98	-31.55%
EBIT reported	(22.01)	134.98	-116.31%
<i>(Normalized EBIT margin %)</i>	0.62%	0.95%	-0.33 p.p.
<i>(Reported EBIT margin %)</i>	(0.15)%	0.95%	-1.10 p.p.
Gross profit normalized*	84.66	125.01	-32.28%
Gross profit reported	(29.75)	125.01	-123.79%
Net profit normalized*	42.69	102.61	-58.40%
Net profit reported	(71.71)	102.61	-169.89%

*excluding impact of potential VAT liabilities on net profit

Eurocash Sales in 2017 reached PLN 14 859.17 million, EBITDA normalized amounted to PLN 206.52 m, and net profit normalized of PLN 42.69 million. In contrast, for the year ended 31 December 2016 Eurocash achieved sales revenues of PLN 14 225.19 m, EBITDA amounted to PLN 246.47 m, and a net profit of PLN 102.61 m. 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 2017 amounted to 180 outlets. Number of abc loyalty scheme stores amounted to 8 531. Number of franchise stores in Delikatesy Centrum chain increased in 2017 and reached the level of 1171 stores (including 55 rebranded EKO stores).

2. EUROCASH GROUP BUSINESS OVERVIEW

2.1. Market Environment

Key macroeconomic data

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

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

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

Table 2: Eurocash: Macroeconomic situation in Poland

	2017	2016	2015
GDP change* (in %)	4.6	2.9	3.9
Consumer price index change (in %)	+2.0	-0.6	-0.9
Registered unemployment** (in %)	6.6	8.2	9.7

Source: Central Statistical Office

* Preliminary data

** As at year end

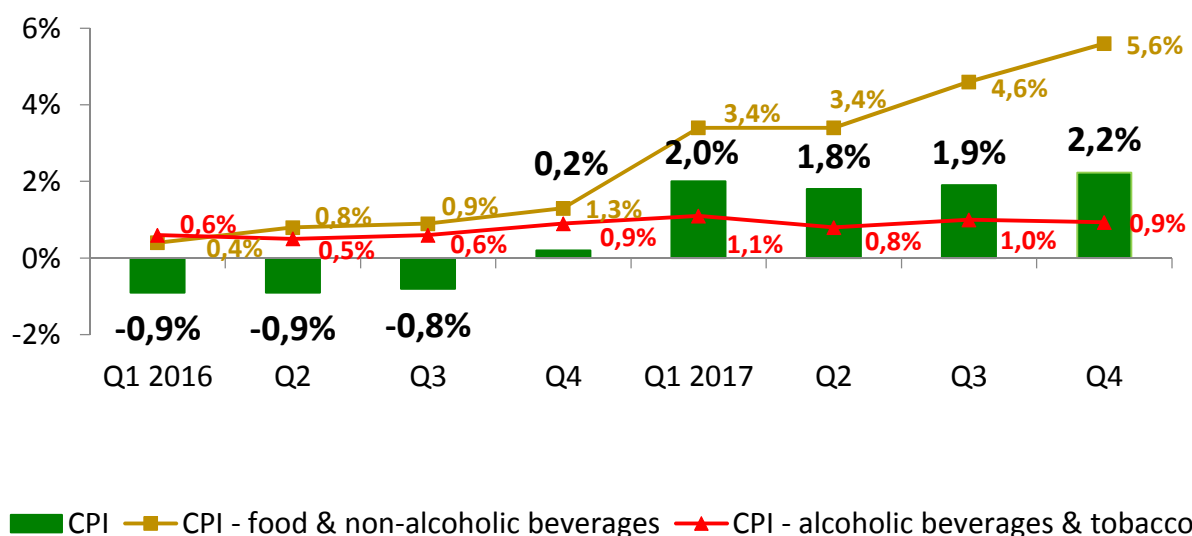
Poland's economic growth, as measured by GDP growth, according to preliminary estimates amounted in 2017 to 4.6% compared to 2.9% in 2016. In 2017 the fastest growing sector of the economy was construction business - the value added in this sector increased by 11.5% year on year. Similar growth dynamic was reached by transportation and storage – an increase by 10.9% YoY. Trade and repair of motor vehicles increased by 6.1%. Total consumption in 2017 increased by 4.2% and in consumption in the household sector by 4.8% YoY.

Prices of consumer goods and services in 2017 increased by 2.0% comparing with previous year. Prices of food and non-alcoholic beverages in 2017 increased by 4.2% and prices of alcoholic beverages and tobacco products increased by 1.0% YoY.

At the end of December 2017, the registered unemployment rate in the country improved comparing to the previous year and amounted to 6.6%.

Chart on the next page present the consumer prices index evolution on a quarterly basis.

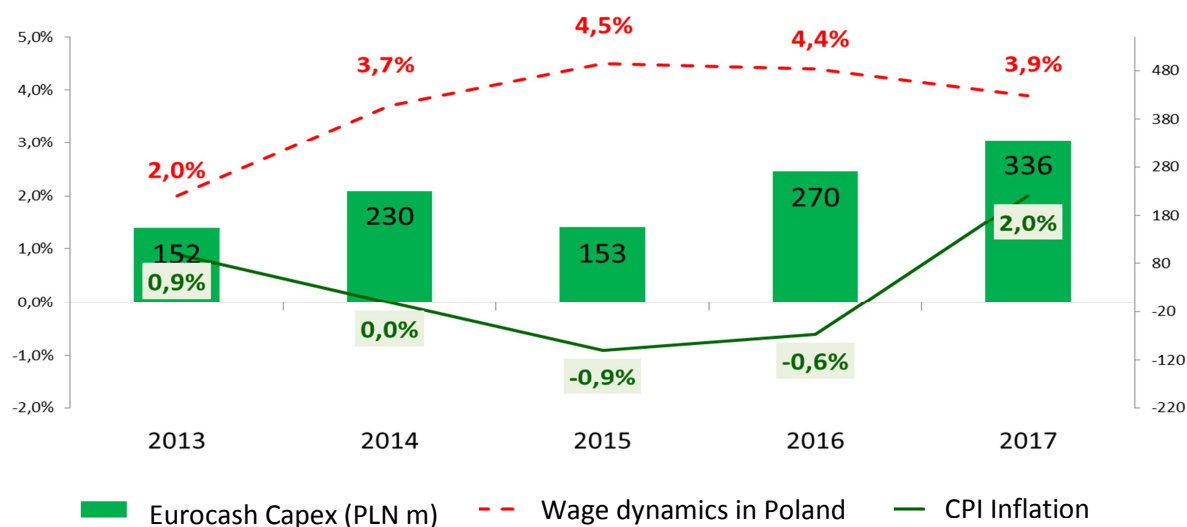
Chart 1. Dynamics of price indices of consumer goods and services (CPI)



Source: Own study based on data from the Central Statistical Office of Poland

The increase in operating expenses, which are significantly linked to the increase in wages, also has a significant impact on the operations of enterprises in Poland. For 4 years, the dynamics of gross wages and salaries in private enterprises ranges from 3.7% to 4.5%, and in 2017 it amounted to 3.9% (data from the Central Statistical Office). In the same period, deflation of consumer goods and services was recorded in Poland, which in 2017 returned to positive values and amounted to 2.0%. Despite the rising costs of operating and low inflation (or deflation), the Eurocash Group had made significant investments, which in 2017 amounted to PLN 336 million. The evolution of Eurocash Group's capital expenditures as compared to inflation indicators and the growth rate of gross payroll costs is presented in the chart below.

Chart 2. Eurocash Group's investments compared to the growth of prices of consumer goods and services and the dynamics of wage costs



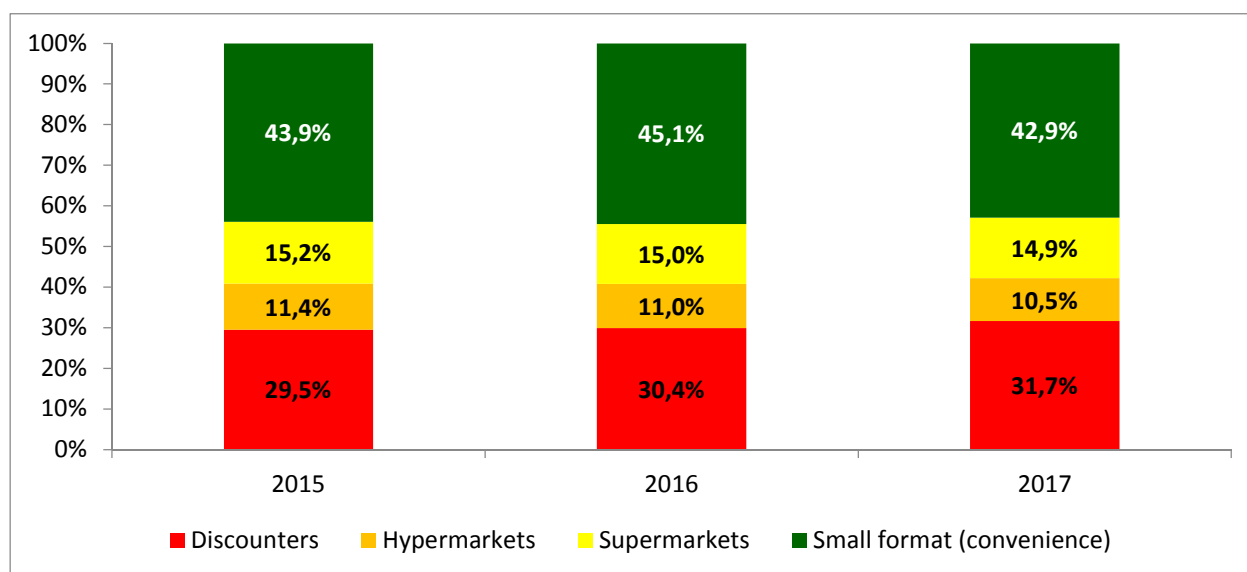
Source: Own study based on data from the Central Statistical Office of Poland

Polish FMCG market - general information

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

According to the Nielsen, value of the FMCG market in 2017 in Poland increase by 4.3% in comparison with the 2016.

Chart 3. Structure of the FMCG market in Poland*

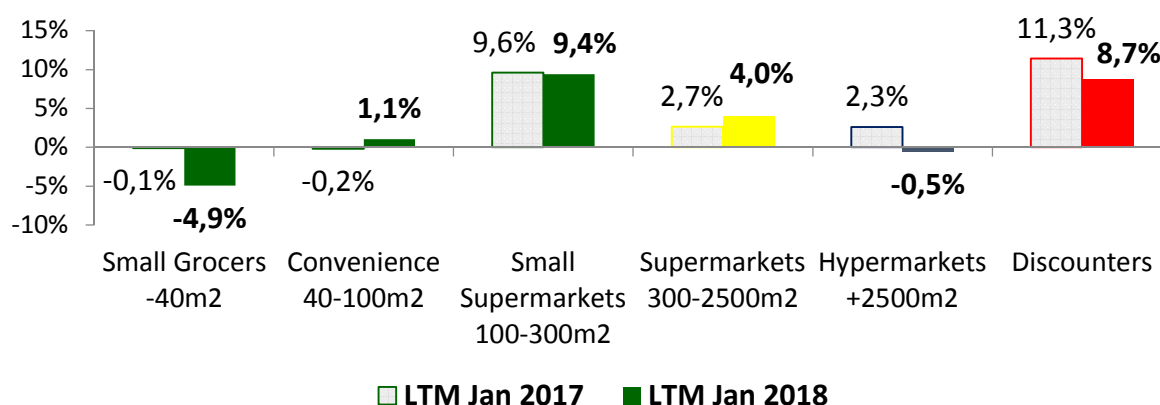


Source: Own study based on data from the Nielsen

*Whole Poland, LTM Jan 2017 = from January 2017 to January 2018

The total share of the value of large format stores in the last year has not changed significantly and in 2017 amounted to approx. 57%. The share of small-format stores in 2017 amounted to almost 43% and is at a similar level to 2016. At the same time, the number of small-format stores decreased by 3.4%, reaching the level of approx. 94.6 thousand stores at the end of 2017 (large, medium and small grocery stores, sweet and alcohol, kiosks and petrol stations). The fastest-falling group of small-format stores are small grocery stores with an area of up to 40 sqm, which translates into a 4.9% drop in sales compared to last year. The sale of these stores is compensated by increases in the sales of small supermarkets with an area of 100 to 300 sqm, which amounted to 9.4% increase in sales, which is the largest growth recorded on the market. So-called convenience with an area of 40-100 sqm recorded an increase of 1.1% YoY. The next growing segment on the market were discounters, which recorded an increase in sales by 8.7%. Positive sales growth was also recorded in large supermarkets (+ 4.0% YoY), hypermarkets recorded a drop in sales, which in 2017 was at -0.5% YoY.

Chart 4. Last Twelve Month (LTM*) sales dynamics of FMCG products**



Source: Own study based on data from the Nielsen

* LTM Jan 2017 = from January 2017 to January 2018

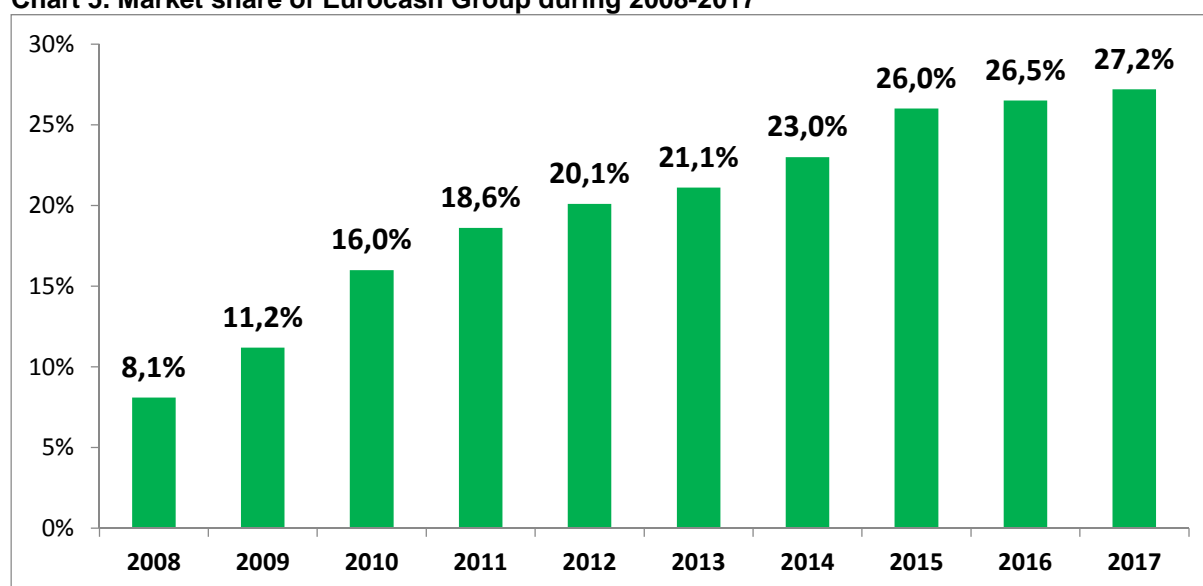
** Small Supermarkets, Convenience, Small Grocers – Food sales dynamics

Wholesale distribution of FMCG Market

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

In 2017, Eurocash Group represented a 27.2% share in the wholesale market of FMCG products, which was a 0.7 p.p. increase on the previous year. Below is presented the evolution of Eurocash Group market share during last years.

Chart 5. Market share of Eurocash Group during 2008-2017



Source: Own estimates following GfK Polonia

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 57% of major retail channels whereas small format stores - approximately 43%. 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 estimates, the total number of retail outlets associated in networks was approximately 34.2 thousands (+6.7% YoY) in 2017.

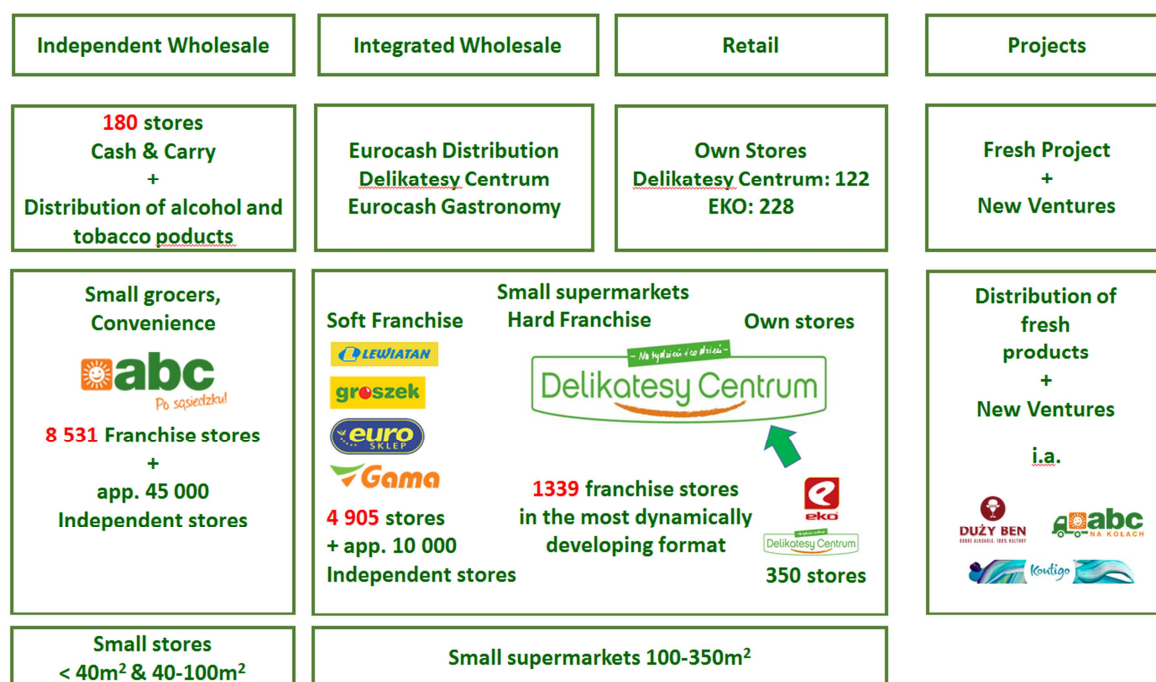
After rapid consolidation of the FMCG wholesale distribution market has observed in years 1991-2000, the last decade saw a reduction in the number of wholesale businesses involved in the sales of FMCG products down to approximately 3 000 - 4 000 entities, which number remains stable.

2.2. Eurocash Group: Business Formats

The Eurocash Group is one of the largest groups in Poland in terms of sales values and the number of outlets involved in the distribution of food products, household chemicals, alcohol, and tobacco products (fast moving consumer goods – FMCG.)

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

Chart 6. Eurocash Group: Focused on small format stores



Source: Own study

2.3. Number of outlets

As at 31 December 2017, the wholesale network of Eurocash Group comprised 180 Cash&Carry warehouses. The Delikatesy Centrum network comprised 1171 supermarkets, while the 'abc' network comprised 8 531 local grocery stores and number of stores associated in networks managed by Eurocash Distribution was 4 905.

Information on the number of Cash & Carry Warehouses, Delikatesy Centrum stores, 'abc' store network and stores associated in Eurocash Distribution is presented in the table below as at specified dates.

Table 3: Eurocash: Number of Cash & Carry Warehouses, Delikatesy Centrum and franchise stores

	As at 31 December				Change 2017/2016	Change 2016/2015	Change 2015/2014
	2017	2016	2015	2014			
Cash & Carry Warehouses	180	190	187	168	-10	3	19
Delikatesy Centrum	1 171	1 086	1 076	1 003	85	10	73
„abc” store network	8 531	8 605	7 658	6 997	-74	947	661
Franchise and partner stores of Eurocash Distribution	4 905	4 750	4 554	4 362	155	196	192

Source: Eurocash

2.4. Sales Structure

Basic groceries (food and drinks – both alcoholic and non-alcoholic) represent key sales items for the Eurocash Group. In 2017, the share of these products accounted for approximately 68.4% of the total sales figure. The second most important sales contributor comprised of tobacco products, pre-paid top ups, and phone cards - with the share of 29.0% in 2017. The share of other non-food products (including cosmetics, household chemicals, OTC drugs, and others) accounted for 2.6% in 2017.

2.5. Structure of the Eurocash Capital Group

Luis Amaral is the main shareholder of Eurocash (directly and indirectly through Politra B.V. s.a.r.l.), with the shareholding of 43.72% as at 31.12.2017. Luis Amaral serves as President of the Management Board.

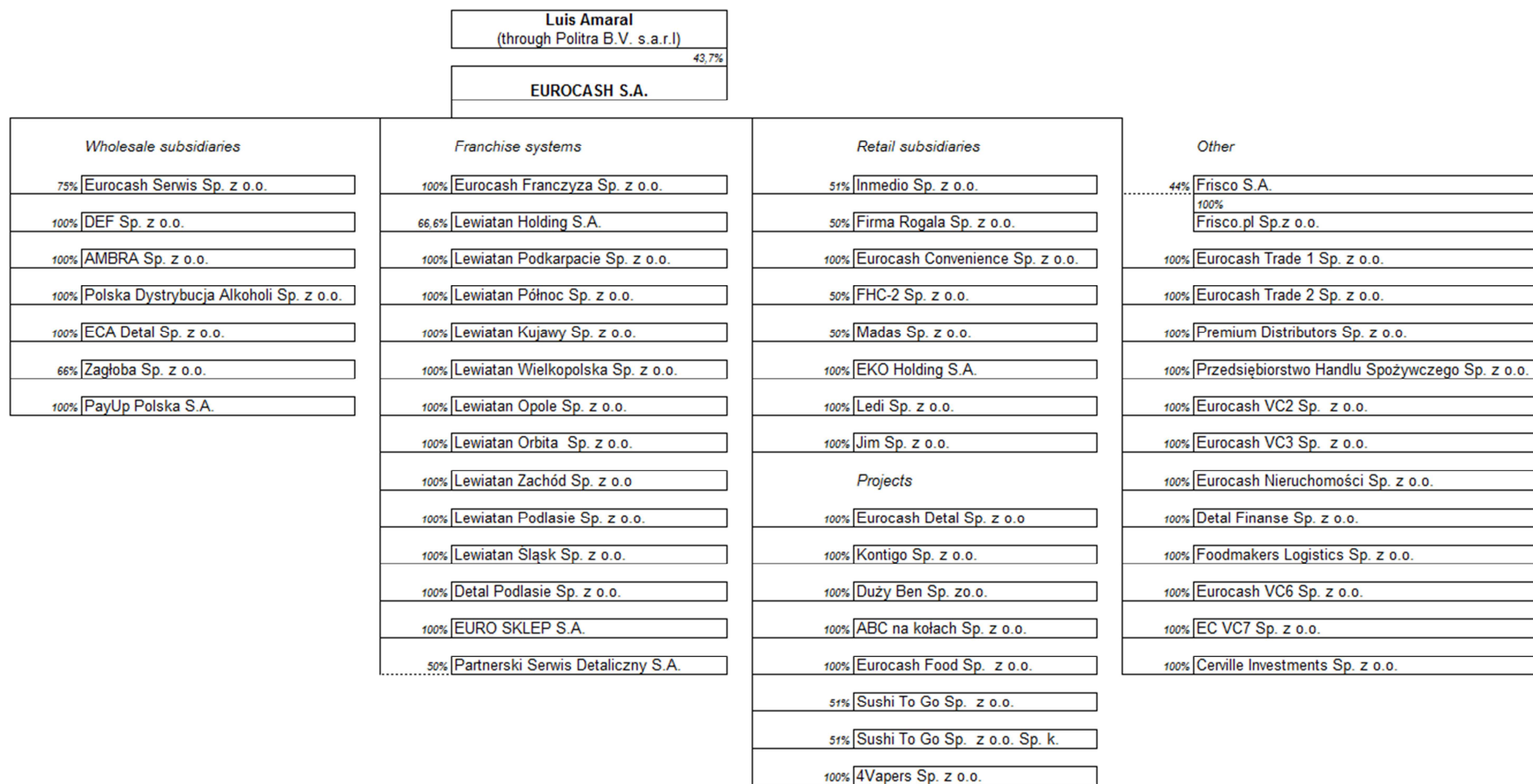
On 22 November 2017, it was notified by Azvalor Asset Management S.G.I.I.C. S.A. together with the direct and indirect subsidiaries, that Azvalor became the holder of shares to which is attached more than 5% of the total number of votes at a General Meeting of EUROCASH S.A. As at 22 November 2017, Azvalor held a total of 7,498,451 shares constituting 5.39% of the share capital of EUROCASH S.A. These shares entitled to 7,498,451 votes constituting 5.39% of the share in the total number of votes at the General Meeting of EUROCASH S.A.

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

The parent entity in the Group is Eurocash S.A., which performs most of the group's sales. In recent years Eurocash S.A. took over a number of its subsidiaries, which allowed to simplification of the group structure.

The structure of the Eurocash Group and its affiliated companies is presented on the next page chart.

Chart 7. The structure of the Eurocash Group and its affiliated companies as at December 31, 2017



3. EUROCASH DEVELOPMENT PROSPECTS

3.1. Eurocash Development Strategy

The primary goal of the Eurocash is to ensure the competitiveness of independent retail stores in Poland and to offer added value to the Company customers as well as to increase the value of the Company for its shareholders. The strategy of the Eurocash is focused on and follows the customer who is the addressee of the Eurocash offer to enter into a range of cooperation options through specific distribution channel formats:

- for small and medium retail stores looking to be supplied with FMCG products whereby an appropriate level of profitability in the adjacency of their business location is ensured without the need for product deliveries – Cash & Carry warehouses and the loyalty program of stores which comprise the 'abc' network;
- for small and medium retail stores looking for FMCG product supplies and support in running retail operations whereby an appropriate level of profitability is ensured – Eurocash Distribution and partner programs under brands such as Lewiatan, Euro-Sklep, Groszek, Gama (affiliate of PSD);
- for retail stores looking for the comprehensive delivery of products - the Delikatesy Centrum franchise network;
- for customers looking for specialized deliveries of specific product categories, e.g.:
 - tobacco products and fast moving consumer goods (retail stores, kiosks, etc.) – distribution through Eurocash Serwis (Tobacco & Impulse);
 - alcoholic beverages – distribution of alcoholic beverages through Eurocash Alcohols;
 - restaurant chains, hotel chains, and petrol station chains looking for the comprehensive delivery of specific products as well as high service quality – distribution under Eurocash Food Service and Eurocash Distribution.

The expansion of the Eurocash business operations took place in response to the needs of customers who operated in the traditional retail market in order to reach a new customer group or to expand cooperation with current customers. The expansion of the Eurocash business was accompanied by growing the customer base as well as adding new forms of cooperation to the offer, which took place through takeovers of entities which operated in distribution formats where the Company had not been present or had had a limited business presence.

Strategic goals of the Eurocash are as follows:

- satisfy the needs of the Eurocash customers across key product groups through a range 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 Eurocash through scale economies available in wholesale business operations run by the large format business players,
- further integrate operating systems and regularly optimize costs.

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 also assumes further organic growth across every distribution format as well as the 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 Eurocash to offer its customers (independent retail trade) better conditions of goods procurement, which should also help increase the Company competitiveness and enhance its market position.

In line with the updated strategy for 2023, the Eurocash intends to create the largest supermarket chain in Poland based on its own and franchise stores.

The source of expansion, the launch of 900 new stores within 5 years, 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 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 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 today on the basis of the Delikatesy Centrum chain is platform for fresh products distribution, which at first stage will be also available to franchisees and partners associated in chains cooperating with Eurocash Distribution format. 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 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 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.

3.2. Factors impacting Development of Eurocash

External Factors

Growth in the FMCG market and changes in market structure

Eurocash anticipates further growth of share in modern distribution channels, however, its adverse impact on Company's income will be compensated by the growth of the FMCG market value as well as by the consolidation in the wholesale market to traditional wholesale sales channels.

Fuel prices

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

Inflation

Unexpected changes in the prices of food products, beverages, alcohol, or other FMCG products, or the price of fuel, of which depend on logistics costs may affect the results Eurocash.

Payroll costs

A potential stress on payroll costs may have an adverse effect on the Eurocash performance in the medium term perspective. However, a prospective increase in remuneration levels has an effect on the entire Polish market. As the Eurocash sales are realized in Poland, its competitive position should remain unchanged due to this influence.

Internal Factors

Integration of acquired companies

Due to the necessity of integrating acquired companies EKO Holding S.A., FHC-2 Sp.z o.o., Madas Sp. z o.o. and Polska Dystribucja Alkoholi Sp. z o.o. at the operational level, in the opinion of Eurocash S.A. Board full synergies associated with these transactions will be possible to reach within 3 years after the acquisition of control over these companies. Companies EKO Holding S.A., FHC-2 Sp.z o.o., Madas Sp. z o.o. are integrated within Delikatesy Centrum chain, and PDA Sp. z o.o. is integrated within Eurocash Alcohol distribution format

New business formats

Development of new formats for wholesale distribution or new franchise formats for retail stores in order to offer a complete range to the customers of the Eurocash and to achieve economies of scale.

Investment in strategical growth projects

To remain competitiveness of independent retail stores in Poland Eurocash continues an investment in innovative projects: Duży Ben, abc on wheels, Kontigo, distribution of high quality fresh products

and others. Results of these projects have negative impact on the Company profitability, however the Board recognizes necessity of such investment to assure the growth in 5 to 10 years. After successful development of projects: Faktoria Win and PayUp in previous years, Company decided to expand: Duży Ben concept as a franchise chain and fresh products distribution to Eurocash Distribution clients. On the other hand 1minute project is going to be suspended due to lack of dedicated offer and supply chain on the market.

The company affected by external entities which participated in mechanism of vat fraud

In the period from March to August 2017 an extensive and detailed audit of VAT settlements by Eurocash S.A. was carried out. The audit covered settlements made in the years 2013 – 2017. It showed that Eurocash S.A. was used in a mechanism of VAT fraud by groups of outside entities in transactions concerning intra-Community delivery of goods. The audit consisted, inter alia, in a review of documentation, including e-mail correspondence, as well as verification of business partners of Eurocash S.A. who participated in the above-mentioned transactions.

The finding of the audit showed that Eurocash S.A. may be obligated to settle a VAT liability in favor of the State Treasury. In accordance with the estimate of the Management Board, the amount of the potential VAT liability may be 121 450 511 PLN. This amount was corrected downwards by the surplus of CIT which arose for the Company in connection with the disclosure of revenue from a sale in the part which corresponds to 23% VAT, and, thus, does not constitute an actual gain (revenue) of the Company. As a result, the Company made a apayment to bank account of the First Wielkopolski Tax Office in Poznań the amount of 95 746 902 PLN in respect of security of payment of the possible VAT liability.

The Management Board believes that the final amount of the VAT liability may differ from the amount paid by the Company in respect of security of payment of the possible VAT liability, once the tax authority has carried out a detailed analysis of the documentation gathered by the Company, as well as of the procedures used by Company and the explanations of the Company. The Company believes that it acted in good faith when carrying out the above-mentioned transactions, and that it regularly tightened up procedures aimed at countering such irregularities. Thus, the Company is proving before the Tax Office that, in the course of ongoing tax audit, it has been harmed by fraud, made by third parties without the Company's knowledge. Thus, the final amount of the VAT liability may be lower than the amount referred to above, while the Company may be due a refund of some of the funds paid.

The Company Management Board emphasizes that payment of the liability will not have any impact on the Company's dividend policy, carried out also in previous years. Negative impact on Net Profit for 2017 amounts to 114 400 861,47 PLN (0.82 PLN per share). Consolidated Net Debt of Eurocash was negatively affected by 95 746 902 PLN (0.69 PLN per share). The effect of the cost was reflected in the financial result of the Company and of the Group in the mid-year financial statements.

Eurocash S.A. continues to audit the VAT settlements by companies of the Eurocash Group as there exists a suspicion that potential irregularities could appear also in other companies of the Group. 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.

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

Acquisition of 100% of shares in EKO Holding S.A

On 4th January 2017 Eurocash acquired 100% of shares in EKO Holding S.A. with its registered office in Nowa Wieś Wrocławska ("EKO"). Thereby, Eurocash acquired a network of 248 grocery stores of EKO (operating mostly in south-western Poland), which will allow further development of the Eurocash and better use of its capability. The total sales of the company in 2017 amounted to app. PLN 858 million.

Preliminary Agreement to acquire entities controlling the MILA chain of stores

On 15th September 2017, Eurocash concluded the Preliminary Agreement with Argus Retail Holding Limited (company under Cypriot law), non-public closed-end investment fund Elbrus with its registered office in Warsaw, Robert Załęski and Stanisław Sosnowski of purchasing 100% of shares in the share capital of Domelius Limited (company under Cypriot law) with its registered office in Nicosia considered by the issuer, as well as taking over control on its subsidiary companies including: Mila Holding S.A. (previously Grupa 700 market-Detal spółka z o.o. S.K.A.), Mila S.A. (previously market-Detal spółka z ograniczoną odpowiedzialnością sp.j.), Investpol 700 Mila spółka jawna and "Koja-Mila spółka akcyjna" spółka jawna.

Value of the transaction was settled on PLN 350 m, excluding some real estate which will not be taken over by Eurocash.

Concluding the final agreement is subject to the conditions precedent agreed in the Preliminary Agreement, in particular to obtain by Eurocash the consent of the President of the Office of Competition and Consumer Protection.

Mila S.A. together with its subsidiaries, runs a chain of groceries in central Poland. At the end of 2016 the Mila Supermarket chain was consisted of 188 stores. Sales revenue reached PLN 1,49 bn, EBITDA reached PLN 4,8 m.

The acquisition of the Mila chain is with accordance to Eurocash M&A policy. Similar to take over of EKO chain it will enable Eurocash to develop competences in retail sales and logistics capacities,

following improvement of the competitiveness of Eurocash clients and as a consequence the potential increase in revenues of Eurocash.

Development of Eurocash Retail segment

Eurocash continues expansion of the franchise chain Delikatesy Centrum and envisages opening of app. 900 new Delikatesy Centrum stores by 2023. Expansion of Delikatesy Centrum chain assumes three sources of growth:

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

Total investment to be realized with Real Estate partners is estimated at app. PLN 1.0 – 2.0 bn. The expansion plan assumes achievement of the following operational parameters:

- Average stores size of 350 sqm (selling area),
- Average sales per sqm of app. 15 600 PLN p.a. in newly opened mature stores
- Average EBITDA margin of mature store should reach app. 6.4%.

The envisaged organizational structure of the Eurocash Retail segment, assumes, that it will consist of all companies operating retail stores such as Firma Rogala, FHC-2, Madas and EKO Holding S.A. and potentially also companies running the Mila supermarket chain (acquisition of Mila chain is in progress due to antimonopoly office approval process). Moreover, the target structure shall include also all wholesale and retail operations related to supply and support provided for retail stores operated by franchisees under Delikatesy Centrum brand. As a result Fresh Project shall be included in this segment by app. 2020.

As a result of new organization and investments, Eurocash Retail segment shall operate (pro-forma, potentially including Mila chain) app. 1,527 proximity supermarket stores with consolidated sales of app. PLN 5.1 bn and app. PLN 7.4 bn retail sales including revenues of Delikatesy Centrum franchised and own stores.

Restructuring of Eurocash Cash&Carry distribution format

In years 2014-2016 the number of Eurocash Cash&Carry outlets increased by 32 and the sales at this time remained at stable level. Not sufficient sales growth affected by sales cannibalization and deflation accompanied with increased level of fixed costs was main reason of Cash&Carry profitability decrease in 2016. In 2017 Eurocash closed in total 10 Cash&Carry stores. In effect of the closures 72% of sales has been retained and taken-over by the remaining Cash&Carry stores. Total costs of the closures amounted to app. PLN 10m (app. PLN 1m per closed Cash&Carry store) with PLN 6.7m impact on 2017 results.

Cost optimization program

During 2017 Eurocash initiated a medium-term program to increase cost efficiency by reducing the costs in areas of Selling, General and Administrative Expenses and Other Operating Costs. The total potential of the cost reductions may reach PLN 150m by 2020. The planned effect of the cost reduction program is expected to be partially off-set by the increase of the level of wages resulting from the pressure on labour costs and inflation.

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

3.3. Risks and Threats

Financial risks are discussed in Note 33 to the consolidated financial statements for 2017, which constitute a part of the Eurocash annual report. Other significant risk factors related to the operations of the Eurocash S.A. are presented below.

External Factors

Macroeconomic situation. Purchasing power of the population

Economic slowdown, a drop in the purchasing power, and a decrease in household expenditure for consumption may have a negative impact on sales volume noted by the Eurocash.

Structure of FMCG retail distribution market in Poland

In 2017, the traditional distribution channel was a significant form of FMCG retail distribution, representing the share of approx. 43%. 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 will shrink a prospective market for the Eurocash business.

Structure of the traditional FMCG distribution channel. Competition

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

Internal Factors

IT systems

An efficient, uniform IT system facilitates a centralized and efficient management of business processes as well as an accurate profitability study of specific products and discount stores, which enhances safe business operations. Possible disturbances in system operations could constitute a threat for the Eurocash business.

New investments

The Eurocash wishes to be an active player in the process of market consolidation by way of acquiring FMCG warehouses. While taking over other enterprises, the Eurocash 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 and geographically diverse sales, key suppliers of the Company are numerous and as at 31 December 2017 comprised 1 817 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 Eurocash 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.

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 2017

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

The separate 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 the Company in the foreseeable future. At the date of preparing the financial statement there were no conditions indicating risks in continuation of operation by the Company.

Accounting policy used to prepare financial statement was presented in a point 2 of separate financial statement of Eurocash S.A. for the FY2017 and was applied to all periods presented in the financial statement.

4.2. Eurocash: Financial and Operational Highlights

Table 4: Eurocash: Highlights of 2017 financial performance

	2017	2016	Change %
PLN m			
Sales revenues (traded goods, materials)	14 859.17	14 225.19	4.46%
EBITDA normalized*	206.52	246.47	-16.21%
Gross profit normalized*	84.66	125.01	-32.28%
Net profit normalized*	42.69	102.61	-58.40%

**excluding impact of potential VAT liabilities on net profit*

Eurocash Sales in 2017 reached PLN 14 859.17 million, EBITDA normalized amounted to PLN 206.52 m, net profit normalized of PLN 42.69 million. In contrast, for the year ended 31 December 2016 Eurocash achieved sales revenues of PLN 14 225.19 million, EBITDA amounted to PLN 246.47 m, and net profit of PLN 102.61 million. There are no significant risks in the current and projected financial situation of Eurocash S.A.

4.3. Profit and Loss Account

Profitability Analysis

Table 5: Eurocash: Financial Performance for 2017

PLN m	2017	2016	Change %
Sales revenues (traded goods, materials)	14 859.17	14 225.19	4.46%
Gross profit (loss) on sales	1 544.36	1 504.98	2.62%
Gross profitability on sales (%)	10.39%	10.58%	-0.19 p.p.
EBITDA normalized*	206.52	246.47	-16.21%
<i>(Normalized EBITDA margin %)</i>	1.39%	1.73%	-0.34 p.p.
<i>Total impact of potential VAT liabilities on net profit</i>	114.40	0.00	0.00%
EBITDA reported	92.12	246.47	-62.62%
<i>(Reported EBITDA margin %)</i>	0.62%	1.73%	-1.11 p.p.
EBIT normalized*	92.39	134.98	-31.55%
EBIT reported	(22.01)	134.98	-116.31%
<i>(Normalized EBIT margin %)</i>	0.62%	0.95%	-0.33 p.p.
<i>(Reported EBIT margin %)</i>	(0.15)%	0.95%	-1.10 p.p.
Gross profit normalized*	84.66	125.01	-32.28%
Gross profit reported	(29.75)	125.01	-123.79%
Net profit normalized*	42.69	102.61	-58.40%
Net profit reported	(71.71)	102.61	-169.89%

*excluding impact of potential VAT liabilities on net profit

Eurocash Sales in 2017 reached PLN 14 859.17 million, EBITDA normalized amounted to PLN 206.52 m, and net profit normalized of PLN 42.69 million. In contrast, for the year ended 31 December 2016 Eurocash achieved sales revenues of PLN 14 225.19 m, EBITDA amounted to PLN 246.47 m, and a net profit of PLN 102.61 m. There are no significant risks in the current and projected financial situation of Eurocash S.A.

4.4. Balance Sheet Data

Balance Sheet Mix

The volume of fixed and current assets, equity, liabilities and provisions for liabilities, as well as their share in the total value of assets is presented in the table on the next page:

Table 6: Eurocash: Mix of Assets

PLN m	31.12.2017	%	31.12.2016	%
Fixed assets (long-term)	2 901.78	54.51%	2 716.66	53.39%
Goodwill	862.82	29.73%	862.82	31.76%
Other intangible fixed assets	537.90	18.54%	541.47	19.93%
Tangible fixed assets	460.89	15.88%	445.21	16.39%
Investment in properties	0.97	0.03%	0.99	0.04%
Investments in subsidiary companies	953.27	32.85%	825.06	30.37%
Investments in associated companies - equity method	40.59	1.40%	38.38	1.41%
Other long-term financial assets	42.29	1.46%	0.06	0.00%
Long-term receivables	2.01	0.07%	1.89	0.07%
Long-term prepayments	1.04	0.04%	0.79	0.03%
Current assets (short-term)	2 421.16	45.49%	2 379.43	46.69%
Inventories	888.69	36.71%	799.00	33.69%
Trade receivables	1 258.48	51.98%	1 310.85	55.27%
Current income tax receivables	18.66	0.77%	15.24	0.64%
Other short-term receivables	58.72	2.43%	90.22	3.80%
Other short-term financial assets	51.34	2.12%	35.43	1.49%
Short-term prepayments	115.68	4.78%	93.02	3.92%
Cash and cash equivalents	29.59	1.22%	35.67	1.50%
Total assets	5 322.94	100.00%	5 096.09	100.00%

Table 7: Eurocash: Mix of Liabilities

PLN m	31.12.2017	%	31.12.2016	%
Equity	998.11	18.75%	1 165.12	22.86%
Share capital	139.16	13.94%	139.10	11.94%
Supplementary capital	847.62	84.92%	840.20	72.11%
Hedge transactions valuation capital	(6.48)	-0.65%	(6.31)	-0.54%
Option for purchase/selling the shares	-	0.00%	-	0.00%
Retained earnings	17.81	1.78%	192.14	16.49%
Long-term liabilities	87.32	2.02%	194.05	4.94%
Other long-term financial liabilities	0.69	0.79%	149.31	76.95%
Other long-term liabilities	0.90	130.34%	0.83	0.43%
Deferred income tax provision	83.00	95.05%	41.02	21.14%
Provision for employee benefits	2.72	3.12%	2.89	1.49%
Short-term liabilities	4 237.51	97.98%	3 736.92	95.06%
Short-term loans and credits	691.47	16.32%	738.50	19.76%
Other short-term financial liabilities	245.96	5.80%	50.66	1.36%
Trade liabilities	3 061.02	72.24%	2 750.36	73.60%
Other short-term liabilities	53.78	1.27%	33.42	0.89%
Provision for employee benefits	68.73	1.62%	63.73	1.71%
Other short-term provisions	116.56	2.75%	100.25	2.68%
Liabilities	4 324.83	81%	3 930.97	77.14%
Total liabilities	5 322.94	100.00%	5 096.09	100.00%

Loan Agreements, Warranties and Collaterals

Loan agreements

Information on credit agreements concluded by Eurocash is presented in Note 20 to the separate financial statement for 2017.

Loans granted

In 2017, Eurocash companies did not grant any loans in the total value equivalent to 10% of the issuer's equity.

Sureties and guarantees

Sureties and guaranties issued by the Eurocash companies are presented in Note 32 to the separate financial statements for 2017.

Issue of Securities and Bonds in 2017

Issue of shares

In the period between 1st January 2017 and 31st December 2017, 66 925 shares were issued.

Issue of securities and bonds

At the end of 2017 Eurocash total nominal value of issued bonds amounted to:

- PLN 140.0 m bonds issued under the long-term bonds issue program
- PLN 80.0 m bonds issued under the commercial paper program

Information on incentive schemes based on the issue of Eurocash shares is provided in section 6.6.

4.5. 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 separate financial statement in Note 32.

4.6. Eurocash Cash Flow Analysis

Cash flow Statement

Table 8: Eurocash: Cash flows for 2017

PLN m	2017	2016
Operating cash flow	431.94	40.48
<i>Gross profit (loss)</i>	(29.75)	125.01
<i>Depreciation</i>	114.13	111.49
<i>Change in working capital</i>	290.26	(206.49)
<i>Other</i>	57.29	10.47
Cash flow from investments	(279.80)	110.31
Cash flow from financing activities	(129.48)	(100.47)
Total cash flow	22.66	50.32

Total cash flow in 2017 amounted to PLN 22.66 m. In 2017 operating cash flow reached PLN 431.94 m, which means improvement by 967% YoY.

Working capital rotation

Table 9: Eurocash: Working Capital Ratios for 2017

Turnover in days	2017	2016
1. Inventories turnover	21.83	20.56
2. Trade receivables turnover	30.91	33.73
3. Trade liabilities turnover	83.91	79.14
4. Operating cycle (1+2)	52.74	54.28
5. Cash conversion (4-3)	(31.17)	(24.85)

Cash conversion amounted to -31.17 days in 2017 compared to -24.85 in 2016 which means improvement by 6,32 days.

Evaluation of Funds Management

The Eurocash generates positive cash flows from operations. All key investments carried out in 2017 were financed from own funds and credit facilities taken up.

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

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

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

Analysis of these risk factors is presented in Note 33 in the part of the report which contains separate financial statements.

4.7. Investment Activity

Major Investments Completed in 2017

In 2017, the total investment outlays amounted to PLN 239.28 million, which means an increase by 6.2% compared to 2016.

Table 10: Eurocash: Investment of Eurocash in 2017

<i>PLN m</i>	2017	2016
Total investment outlays	239.28	225.27

Assessment of Capacity to Carry out Anticipated Investments

Key investments planned for 2018 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.
- Replacement investment,
- Finalization of Mila stores acquisition – after permission from UOKiK,
- Updated strategy until 2023 which assumes bigger investments in Retail.

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

4.8. Key Contributors to 2017 Financial Performance of Eurocash S.A.

Equity Changes

In the period between 1st January 2017 and 31st December 2017, 66 925 were issued.

Dividend Payment

In accordance with Resolution No. 5 adopted by the Annual General Meeting on 25th April 2017, persons who were shareholders of the Company on 16th May 2017, received a dividend of PLN 0.73 per one Company share. The total dividend paid amounted to PLN 101 589 198.78.

5. ADDITIONAL INFORMATION

5.1. Information on Court Proceedings

In 2017 Eurocash companies were not involved in any legal proceedings before court, a relevant arbitration authority, or a public administration body, the total value of which would which represent at least 10% of issuer's equity.

5.2. Information on Significant Agreements

Acquisition of 100% of shares in EKO Holding S.A

On 4th January 2017 Eurocash acquired 100% of shares in EKO Holding S.A. with its registered office in Nowa Wieś Wrocławska ("EKO"). Thereby, Eurocash acquired a network of 248 grocery stores of EKO (operating mostly in south-western Poland), which will allow further development of the Eurocash and better use of its capability. According to the received information, the total sales of the company in 2017 amounted to app. PLN 858 million.

Preliminary Agreement to acquire entities controlling the MILA chain of stores

On 15th September 2017, Eurocash concluded the Preliminary Agreement with Argus Retail Holding Limited (company under Cypriot law), non-public closed-end investment fund Elbrus with its registered office in Warsaw, Robert Załęski and Stanisław Sosnowski of purchasing 100% of shares in the share capital of Domelius Limited (company under Cypriot law) with its registered office in Nicosia considered by the issuer, as well as taking over control on its subsidiary companies including: Mila Holding S.A. (previously Grupa 700 market-Detal spółka z o.o. S.K.A.), Mila S.A. (previously market-Detal spółka z ograniczoną odpowiedzialnością sp.j.), Investpol 700 Mila spółka jawna and "Koja-Mila spółka akcyjna" spółka jawna.

Value of the transaction was settled on PLN 350 m, excluding some real estate which will not be taken over by Eurocash.

Concluding the final agreement is subject to the conditions precedent agreed in the Preliminary Agreement, in particular to obtain by Eurocash the consent of the President of the Office of Competition and Consumer Protection.

Mila S.A. together with its subsidiaries, runs a chain of groceries in central Poland. At the end of 2016 the Mila Supermarket chain was consisted of 188 stores. Sales revenue reached PLN 1,49 bn, EBITDA reached PLN 4,8 m.

The acquisition of the Mila chain is with accordance to Eurocash M&A policy. Similar to take over of EKO chain it will enable Eurocash to develop competences in retail sales and logistics capacities, following improvement of the competitiveness of Eurocash clients and as a consequence the potential increase in revenues of Eurocash.

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

In the 2017 companies belonging to Eurocash Group did not grant any credit or loan guarantees and did not grant any warranties, the total value of which is equivalent to 10% of Eurocash equity.

5.4. Information on Transactions with Connected Entities

In the 2017, Eurocash did not execute other transactions with related parties otherwise than in the ordinary course of business on an arm's length basis.

5.5. Forecasts Publication

The Management Board of Eurocash S.A. did not publish financial forecasts for 2017 or 2018.

5.6. Changes in Key Management Principles

Resignation of member of the management board

On 13th January 2017 Mr. David Boner resigned from function of Member of the Management Board of Eurocash, with effect on 13th January 2017.

Appointment of member of the management board

On 22nd February 2017 Supervisory Board of Eurocash agreed the resolution regarding the appointment on 22nd February 2017 Mr. Przemysław Ciaś on the function of Member of the Management Board of Company.

2017 saw no other changes in key management principles.

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

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

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

5.8. Information on Registered Audit Company

The separate financial statements of Eurocash S.A. for 2017 were audited by Ernst & Young Audyt Polska sp. z o.o. sp. k. on the basis of a contract concluded on 17th July 2017. The separate financial statements of Eurocash S.A. for 2016 were audited by KPMG Audyt Sp. z o.o. sp.k. on the basis of a contract concluded on 24th June 2016.

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

Table 11: Eurocash: Capital expenditures for audit and review of financial statements

thousands of PLN	2017	2016
Audit of financial statements	500.0	580.0
Review of financial statements	251.0	250.0
Other services	1.2	15.0
Total capital expenditures	752.2	845.0

6. STATEMENT ON CORPORATE GOVERNANCE RULES

6.1. Indication of Corporate Governance Rules Applicable to Issuer

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

In the financial year ended on December 31, 2017, the Company complied with the corporate governance principles set out in the document "Good Practices for Companies listed on WSE 2016" in accordance with the statement posted on the website: <http://eurocash.pl/eng/investor-relations/corporate-governance.html>.

6.2. Shareholders structure

Shareholders with Direct or Indirect Substantial Shareholding in Eurocash

As at 31st December 2017 the structure of shareholders holding directly or indirectly large blocks of shares in Eurocash S.A. was as below.

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

	31.12.2017				31.12.2016			
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 through Politra B.V. S.à.r.l.)	60 843 178	43,72%	60 843 178	43,72%	60 615 240	43,58%	60 615 240	43,58%
AzValor	7 498 451	5,39%	7 498 451	5,39%	-	-	-	-
Others	70 821 657	50,89%	78 320 108	50,89%	78 481 121	56,42%	78 481 121	56,42%
Total	139 163 286	100,00%	139 163 286	100,00%	139 096 361	100,00%	139 096 361	100,00%

Notification of change in shareholding resulting in an entity holding shares to which is attached above 5% of the total number of votes at a General Meeting of the Company

On 22 November 2017, it was notified by Azvalor Asset Management S.G.I.I.C. S.A. together with the direct and indirect subsidiaries, that Azvalor became the holder of shares to which is attached more

than 5% of the total number of votes at a General Meeting of EUROCASH S.A. As at 22 November 2017, Azvalor held a total of 7,498,451 shares constituting 5.39% of the share capital of EUROCASH S.A. These shares entitled to 7,498,451 votes constituting 5.39% of the share in the total number of votes at the General Meeting of EUROCASH S.A.

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 31.12.2017 was as follows:

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

	Eurocash shareholding		Share subscription rights	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
<i>Management Board</i>				
Luis Amaral (directly and indirectly through Politra B.V. S.à.r.l.)	60 843 178	60 615 240	0	0
Rui Amaral	347 025	347 025	0	50 000
Katarzyna Kopaczewska	330 000	330 000	0	0
Arnaldo Guerreiro	325 500	325 500	0	0
Pedro Martinho	839 069	818 050	0	0
Jacek Owczarek	58 500	58 500	0	0
Przemysław Ciał	0	Not applicable	0	Not applicable
David Boner	Not applicable	0	Not applicable	0

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

	Eurocash shareholding		Share subscription rights	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
João Borges de Assuncao	0	0	0	0
Eduardo Aguinaga de Moraes	0	0	0	0
Francisco José Valente Hipólito dos Santos	0	0	0	0
Hans Joachim Körber	0	0	0	0
Jacek Szwajcowski	0	0	0	0

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

No securities which would grant neither special control rights nor preferential shares 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.

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.

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.

6.3. 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 is composed of seven members. The composition of the Management Board at the day of December 31st 2017 was as presented in the table 15.

Table 15: The composition of the Management Board in 2017

Luis Manuel Conceicao do Amaral	President of the Management Board
Rui Amaral	Member of the Management Board - CEO
Arnaldo Guerreiro	Member of the Management Board
Pedro Martinho	Member of the Management Board
Jacek Owczarek	Member of the Management Board – Financial Director
Katarzyna Kopaczewska.	Member of the Management Board – HR Director
Przemysław Ciaś	Member of the Management Board

On 13th January 2017 Mr. David Boner resigned from function of Member of the Management Board of Eurocash, with effect on 13th January 2017.

On 22nd February 2017 Supervisory Board of Eurocash agreed the resolution regarding the appointment on 22nd February 2017 Mr. Przemysław Ciaś on the function of Member of the Management Board of Company.

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:

<http://eurocash.pl/pub/eng/uploaddocs/lad-korporacyjny-zalaczniki/regulamin-zarzadu-2008-ang.3166178158.pdf>

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

Information on remuneration paid to the members of the Management Board in 2017 is provided in the section of the annual report which contains the annual consolidated financial statements, in Note 30

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 2017 was as presented in the table below.

Table 16: The composition of the Supervisory Board in 2017

João Borges de Assuncao	Chairman of the Supervisory Board
Eduardo Aguinaga de Moraes	Member of the Supervisory Board
Francisco José Valente Hipólito dos Santos	Member of the Supervisory Board
Hans Joachim Körber	Member of the Supervisory Board
Jacek Szwajcowski	Member of the Supervisory Board

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

- (i) Mr. Jacek Szwajcowski and Hans Joachim Körber as Supervisory Board members, appointed by the Company's General Shareholders' Meeting, and
- (ii) Mr. João Borges de Assunção, appointed by Politra B.V. S.a.r.l., who submitted representations which meet criteria of an independent Supervisory Board member.

Thus, 3 of the 5 Supervisory Board members of the Company 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:

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

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

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

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

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

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

<http://eurocash.pl/pub/eng/uploaddocs/lad-korporacyjny-zalaczniki/unified-text-of-sb-by-laws-2009.2598766460.pdf>

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

Information on remuneration paid to the members of the Supervisory Board in 2017 is provided in the section of the annual report which contains the annual consolidated financial statements, in Note 30.

Supervisory Board Committees

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

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

- (i) supervising the submission of financial information by the Company in the periodical reports, forecasts, etc.,
- (ii) supervising the activities of external auditors of the Company,
- (iii) giving the opinion on the candidates for the Company's external auditors to be elected by the Supervisory Board, where external auditors should be changed at least once every 5 years,
- (iv) supervising the relationship with the external auditor, including in particular assessing the external auditor's independence, remuneration and any non-auditing work for the Company, as well as determining the involvement of the external auditor with respect to the content and publication of financial reporting,
- (v) each year, evaluating the internal control system in place and the significant risk management system in place, as well as self-evaluation in a form of an annual report of its deliberations, findings, and relationships with the external auditor (in particular, including his/her independence) to be included as part of the Supervisory Board's annual report to be presented at the Ordinary General Meeting of Shareholders.

The Audit Committee is composed of the following members: Francisco José Valente Hipólito dos Santos (Chairman), Eduardo Aguinaga de Moraes and Jacek Szwajcowski.

Responsibilities of the Remunerations Committee include as follows:

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

- (iv) each year, submitting a self-assessment in the form of an annual report of its performance to be included as part of the Supervisory Board's annual report and to be presented at the Ordinary General Meeting of Shareholders.

The Remunerations Committee is composed of the following members: Messrs Eduardo Aguinaga de Moraes (Chairman), Francisco José Valente Hipólito dos Santos and Hans Joachim Körber.

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

<http://eurocash.pl/pub/eng/uploaddocs/lad-korporacyjny-zalaczniki/unified-text-of-sb-by-laws-2009.2598766460.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:

<http://eurocash.pl/pub/eng/uploaddocs/lad-korporacyjny-zalaczniki/unified-text-of-gm-by-laws-2009.3341172403.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) appointment or dismissal of two members of the Supervisory Board;
- (xii) setting down the rules for and levels of remuneration of members of the Supervisory Board;
- (xiii) adopting the Rules of the Supervisory Board;
- (xiv) dismissal or suspension of members of the Management Board;
- (xv) adopting the Rules of the General Meeting;
- (xvi) 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.

6.4. Discussion of Amendments to Issuer's Statutes

A resolution adopted by the Shareholders' Meeting concerning amendments to the Statutes must be preceded by an appraisal issued by the Company's Supervisory Board. Amendments to the provisions of the Statutes which consist in material changes to the subject matter of the Company's business

operations without share buyout from shareholders who do not consent to the amendments requires that the resolution of the General Shareholders' Meeting be adopted by the majority of $\frac{3}{4}$ votes cast in the presence of shareholders who represent at least 50% of the Company's share capital.

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

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.

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

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

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

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

6.6. Information on Employee Shares Control System

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

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

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

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

In the year ended 31.12.2017, options were exercised for 66,925 ordinary series M shares issued as part of the Eighth Incentive and Bonus Program for Employees for 2012, 2013 and 2014, with a value of PLN 38 each, which resulted in a total cash inflow of PLN 2.543.150.

In the year ended 31.12.2016, options were exercised for 267,050 ordinary series M shares issued as part of the Eighth Incentive and Bonus Program for Employees for 2012, 2013 and 2014, with a value of PLN 38 each, which resulted in a total cash inflow of PLN 10.177.900.

The fair value of shares granted in the period from 01.01.2017 to 31.12.2017 amounted to PLN 3.920.000 and is recognized as an expense in the income statement for this period (in the year ended 31 December 2016, no share options were granted).

The table on the next page presents the numbers and weighted average exercise prices of stock options as part of the employee share program.

Table 17: Stock options for the period from 01.01.2017 to 31.12.2017

	Number of options	Weighted average prices (PLN/share)
Occuring at the beginning of the reporting period	434 275	38.00
Granted in the reporting period	2 906 250	32,51
Made in the reporting period	(66 925)	38.00
Expired in the reporting period	(367 350)	38.00
Occuting at the end of the reporting period	2 906 250	32,51
including:		
Possible to be perform at the end of the reporting period	2 906 250	32,51

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

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

The Management Board of the Controlling Entity is responsible for the Company internal control system and its effectiveness in the process of drafting financial statements and periodical reports drawn up and published in accordance with the stipulations set forth in the Decree dated February 19, 2009 on current and periodical information submitted by issuers of securities and on terms on which information required under the provisions of law of a country not being a member country is recognized as equivalent.

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

The Risk Management Team was appointed to identify and analyze risks related to the Eurocash operations and to establish adequate risk controls and risk limits as well as to monitor deviations noted from the limits. The risk management policy and system are reviewed on a regular basis so that they reflect ongoing changes in market conditions and the Company operations. The Eurocash strives to achieve a disciplined and constructive control of the environment where every employee would understand their roles and duties through skills (qualifications) enhancement and an application of standards and procedures by the Company.

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

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

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

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

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

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

The Management Board of the Controlling Entity systematically evaluates the quality of internal control and risk management systems in relation to the process of drafting consolidated financial statements. In line with such evaluation, the Management Board of the Controlling Entity declared that as at December 31, 2017 no weaknesses existed which could have a material adverse effect on the effectiveness of internal controls as far as financial reporting is concerned.

7. REPRESENTATIONS OF THE MANAGEMENT BOARD

7.1. Accuracy and Reliability of Reports Presented

Members of the Management Board of Eurocash S.A. represent that - to their best knowledge:

- the consolidated annual financial statements for the 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 the Eurocash S.A. and of its financial performance for 2017
- the report of the Management Board on business operations of Eurocash S.A. in 2017 contains a true view of the development, achievements, and the position of Eurocash S.A., including the discussion of main risks and threats,
- prepared in a separate form the non-financial report is in accordance with the applicable principles of the Accounting Act and contains a true picture of the activities of the Eurocash Group in this area.

7.2. Appointment of Entity Qualified to Audit Financial Statements

The Supervisory Board of Eurocash, acting under par.14 point 2 Statute of the Company, on 25 April 2017, 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 2017.

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 separate financial statements of the Eurocash 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 separate financial reports in line with the applicable provisions of law and professional standards.

APPENDIX A: Financial Ratios Definitions

Gross profit margin on sales:	ratio of gross sales margin to net sales revenues
EBITDA margin:	ratio of EBITDA (operating profit plus depreciation) to net sales revenues
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 stock 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 stock turnover and receivables turnover
Cash conversion cycle:	the difference between operating cycle and liabilities turnover

SIGNATURES OF MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President	Luis Amaral	22 rd March 2018	
Management Board Member Chief Executive Officer	Rui Amaral	22 rd March 2018	
Management Board Member	Arnaldo Guerreiro	22 rd March 2018	
Management Board Member	Pedro Martinho	22 rd March 2018	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	22 rd March 2018	
Management Board Member Financial Director	Jacek Owczarek	22 rd March 2018	
Management Board Member	Przemysław Ciaś	22 rd March 2018	

SELECTED SEPARATE FINANCIAL DATA

	for the period from 01.01.2017 to 31.12.2017 PLN	for the period from 01.01.2016 to 31.12.2016 PLN	for the period from 01.01.2017 to 31.12.2017 EUR	for the period from 01.01.2016 to 31.12.2016 EUR
Net sales	14 859 167 869	14 225 192 888	3 490 033 791	3 260 789 201
Operating profit (loss)	(22 009 654)	134 977 272	(5 169 498)	30 940 349
Profit (loss) before tax	(29 745 445)	125 010 194	(6 986 435)	28 655 632
Net Profit (loss) on continued operations	(71 713 088)	102 614 073	(16 843 548)	23 521 851
Net profit (loss)	(71 713 088)	102 614 073	(16 843 548)	23 521 851
Net operating cash flow	431 939 689	40 480 904	101 451 449	9 279 290
Net investment cash flow	(279 796 782)	110 310 155	(65 717 019)	25 285 996
Net financial cash flow	(129 483 951)	(100 474 074)	(30 412 428)	(23 031 306)
Net change in cash and cash equivalents	22 658 955	50 316 986	5 322 002	11 533 979
Weighted average number of shares	139 158 564	139 023 791	139 158 564	139 023 791
Weighted average diluted number of shares	139 158 564	139 120 988	139 158 564	139 120 988
EPS (in PLN / EUR)	(0,52)	0,74	(0,12)	0,17
Diluted EPS (in PLN / EUR)	(0,52)	0,74	(0,12)	0,17
Average PLN / EUR rate*			4,2576	4,3625
	as at 31.12.2017 PLN	as at 31.12.2016 PLN	as at 31.12.2017 EUR	as at 31.12.2016 EUR
Assets	5 322 938 556	5 096 091 488	1 276 208 626	1 151 919 414
Long-term liabilities	87 317 132	194 045 772	20 934 842	43 862 064
Short-term liabilities	4 237 511 754	3 736 923 837	1 015 970 595	844 693 453
Equity	998 109 670	1 165 121 879	239 303 189	263 363 897
Share capital	139 163 286	139 096 361	33 365 290	31 441 311
Number of shares	139 163 286	139 096 361	139 163 286	139 096 361
Diluted number of shares	142 069 536	139 530 636	142 069 536	139 530 636
Book value per share (in PLN / EUR)	7,17	8,38	1,72	1,89
Diluted book value per share (in PLN / EUR)	7,03	8,35	1,68	1,89
Dividend paid (in PLN / EUR)	101 589 199	109 451 447	24 356 661	24 740 381
Dividend paid per share (in PLN / EUR)	0,73	0,79	0,18	0,18
PLN / EUR rate at the end of the period**			4,1709	4,4240

* Profit and loss items and cash flow items calculated on basis at a weighted average rate announced by the National Bank of Poland for 2017.

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

*** Dividend for 2016 year was paid till 6 June 2017 for shareholders of Parent Company as at 16 May 2017.

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

To the General Meeting and Supervisory Board of Eurocash S.A.

The audit report on the annual financial statements

We have audited the accompanying annual financial statements for the year ended 31 December 2017 of Eurocash S.A. ('the Company') located in Komorniki at Wiśniowa 11, containing the general information, the separate income statement and the separate statement of comprehensive income for the period from 1 January 2017 to 31 December 2017, separate statement of financial position as at 31 December 2017, the separate statement of cash flow and the separate statement of changes in equity for the period from 1 January 2017 to 31 December 2017 and the summary of significant accounting policies and other explanatory notes ('the accompanying financial statements').

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

The Company's Management is responsible for the preparation, based on properly maintained accounting records, and fair presentation of the financial statements in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of European Commission decrees and other applicable laws, as well as the Company's Statute. The Company's Management is also responsible for such internal control as determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In accordance with the Accounting Act of 29 September 1994 (the 'Accounting Act'), the Company's Management and the members of the Company's Supervisory Board are required to ensure that the accompanying financial statements meet the requirements of the Accounting Act.

Auditor's responsibility

Our objective was to express an opinion on whether the accompanying financial statements give a true and fair view¹ of the financial position and results of the operations of the Company in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of European Commission regulations and adopted accounting policies.

¹ Translation of the following expression in Polish is 'rzetelny i jasny obraz'.

We conducted our audit of the accompanying financial statements in accordance with:

- Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight ('Act on Statutory Auditors'),
- National Auditing Standards in the wording of the International Auditing Standards adopted by the resolution no. 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015 with subsequent amendments,
- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC ("Regulation 537/2014").

Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

The purpose of the audit is to obtain reasonable assurance as to whether the financial statements as a whole were prepared based on properly maintained accounting records and are free from material misstatement due to fraud or error, and to issue an independent auditor's report containing our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with the above mentioned standards will always detect material misstatements. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in aggregate, they could influence economic decisions of the users taken on the basis of these financial statements. The risk of not detecting a material misstatement due to fraud is higher than the risk of not recognizing a material misstatement due to an error, as fraud may involve collusion, falsification, deliberate omissions, misleading or circumventing internal control and may affect every area of law and regulation, not just this directly affecting the financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The opinion is consistent with the additional report to the audit committee issued on the date of this report.

Independence

While conducting our audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the regulations of Act on Statutory Auditors, Regulation 537/2014 and principles of professional ethics adopted by resolutions of the National Council of Statutory Auditors.

Based on our best knowledge and belief, we declare that we have not provided non-audit services, that are prohibited based on article 136 of the Act on Statutory Auditors and article 5, point 1 of Regulation 537/2014, to the Company.

Appointment of the audit firm

We were appointed to audit the Company's financial statements based on the Company's Supervisory Board resolution dated 25 April 2017. We have been auditing the financial statements of the Company for the first time since the beginning of the financial year ended 31 December 2017.

Most significant assessed risks

In the course of our audit we have identified the below described most significant assessed risks of material misstatement (key audit matters), including due to fraud and we designed appropriate audit procedures in response to those risks. Where we considered to be relevant in order to understand the nature of the identified risk and audit procedures performed we have also included key observations arising with respect to those risks.

These matters were addressed in the context of our audit of the accompanying financial statements as a whole, and in forming our opinion thereon. Therefore we do not provide a separate opinion on these matters.

<i>description of the nature of the risk of material misstatement (key audit matters)</i>	<i>audit procedures in response to the identified risk</i>
Revenue recognition	
Eurocash S.A. presents in the financial statements sales revenues in total amounting to PLN 14,859 million. Sales contracts include discounts, premiums, incentives and rebates related to the volume purchased and other services rendered. Due to the multitude and variety of contractual terms, the estimations related to those adjustments are considered to be complex and include measurement and identification of the responsibilities, assessment of transfer of risks and rewards and determination whether Eurocash acts as agent or principal or provides identifiable benefit. Taking into account the scale of the revenues and complexity of the estimates, we assessed that area as key audit matter.	<p>Our audit procedures included understanding of the Company's revenue recognition accounting policies including those related to discounts, incentives and rebates, as well as identification and measurement of contractually agreed tasks while rendering the services, and assessing compliance with the policies in terms of applicable accounting standards.</p> <p>We also assessed the Company's internal controls over calculation of discounts, incentives and rebates and timing and measurement of revenue recognition. We analysed transactions taking place before and after the balance sheet date as well as credit</p>

<p>The Company's disclosures are set out in point 2.26 of the accounting principles "Sales revenues" and in note 24 "Sales revenues in the accounting period" to the financial statements.</p>	<p>notes and corrections issued after the year end date for the determination of revenue recognition period. We also gained understanding and analysed key terms and conditions of the agreements with suppliers and customers to assess whether amounts recognized as commercial income were accurate and recognized in the correct period. We also considered the adequacy of the Company's disclosures in respect of revenue.</p>
<p>Uncertain tax positions</p>	
<p>The Company took part in processes and conducted transactions, which may be subject to audit by tax authorities.</p> <p>In June 2017 Polish tax authorities issued the protocol from the tax audit of the accounting records, claiming that one of the subsidiaries calculated overstated depreciation in relation to trademarks "abc" and "Eurocash", in total amount of PLN 41 million for one year 2011. Moreover, as disclosed in explanatory note 3 to the consolidated financial statements, the Company recognized cost in amount PLN 114 million for the loss related third parties' and employees' VAT fraudulent activity.</p> <p>Uncertainty of tax positions is related to the complexity of the Eurocash S.A. Capital Group's legal structure and changing tax environment in which the Group operates. Assessment of those uncertainties is complex and requires significant Management judgement in determining the corporate income tax and other tax provisions. Changes in assumptions of the positions that may be taken by tax authorities, can materially impact the level of tax liabilities included in the financial statements.</p> <p>The Company's disclosures about the above described matter are included in point 3 of the general information "Loss incurred by the Company as a result of fraudulent activities of external parties", point 2.31 of the accounting principles "Uncertainties related to tax settlements" and note 23 "Income tax" to the financial statements.</p>	<p>We gained our understanding of the Company's process of preparation of the tax settlements and the related accounting policy, and evaluated the identification of key tax issues related to the activity of the Company and legislative developments. 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.</p> <p>We obtained explanations from management and evidence including communication with tax authorities, relevant calculations and copies of external tax advice reports. We used our tax specialist to assist us in the evaluation of the Management's judgments in the light of the tax law as well as current practice and legal interpretations.</p> <p>We assessed the management's assumptions related to the determination of the liabilities and provisions recorded in the financial statements or the rationale for the lack of recognition of liabilities, especially 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.</p>

Impairment of investments	
<p>At 31 December 2017, the carrying value of investments in subsidiaries and affiliates amounted to PLN 994 million and constituted 19% of the Company's total assets as of that date.</p> <p>The Company performed an impairment indicators analysis and tests for relevant assets based on their assessed recoverable amount. Process of impairment assessment is complex and requires significant management judgement, in particular related to the Group's strategy, forecasted revenues, costs and cash flows, future growth rates and discount rates, which are affected by expected future market and economic conditions.</p> <p>The assessment of impairment of investments was significant to our audit due to their scale and as it involves judgment in making the significant assumptions related to cash flows forecasts.</p> <p>The Company's disclosures about relevant impairment analysis are included in point 2.20 "Impairment of assets" and note 6 "Investments in subsidiaries" to the financial statements.</p>	<p>Our audit procedures included the understanding and evaluation of the impairment testing process, as well as assessment of assumptions and methodology used by the Company to prepare estimates and verification of mathematical accuracy of the underlying calculations. In particular our procedures included:</p> <ul style="list-style-type: none"> - analysis of arithmetic accuracy of discounted cash flows model calculations and the reconciliation of the source data to current financial forecasts and budgets, - assessment of key assumptions and estimates of the model of value in use assessment, including assumptions related to the future cash flows and residual values after the detailed forecast period, - the comparison of applied discount and growth rates to the market benchmarks with support of our internal valuation specialists, - testing the sensitivity of the recoverable amount in the available headroom considering what change in assumptions could cause the carrying amount of the investment to exceed its recoverable amount. <p>We have assessed disclosures related to the impairment of investments.</p>
Initial audit of financial statements	
<p>The financial statements of Eurocash S.A. for the year ended 31 December 2017 was the first financial statements being a subject to our audit. During the audit we have performed number of additional procedures to understand and gain the knowledge of the Company's business profile, accompanying processes, specific risks concerning the activity of the Company, internal controls implemented by the Company and implemented policies which impact on the financial reporting of the Company.</p> <p>These procedures enabled us to assess the audit risk,</p>	<p>Our procedures included among others:</p> <ul style="list-style-type: none"> - kick – off meeting with key personnel responsible for financial reporting of the Company and also internal meetings with audit team members including the teams responsible for key subsidiaries and also meetings with specialists dedicated to be involved in the audit procedures, - review of the internal controls implemented in the Company and testing

<p>identify the risk of material misstatements including the inherent risk of the audit and the control risk, determine the materiality levels and audit scope.</p> <p>Moreover, the initial audit additional procedures purpose was to determine whether the opening balance contained misstatements which significantly impacted on the financial statements for current year and whether the accounting rules (policies) implemented for opening balances were applied on the continuous basis in preparation of the financial statements for current year and whether the changes, which were applied, were appropriately booked and relevantly presented in accordance with applicable reporting standards.</p> <p>In the financial statements for the year ended 31 December 2017, the Management Board re-analyzed the recognition of the put option related to the remaining shares held by non-controlling shareholders in subsidiaries. As a result of the above actions, the opening balance was corrected as regards the recognition of options, and the comparative data in the financial statements were adjusted accordingly. This resulted in additional audit procedures in this area.</p> <p>The disclosures in relations to the opening balance adjustment were presented in explanatory note 1 “Adjustments to the comparable data” to the financial statements.</p>	<p>of the selected controls in relations to particular processes,</p> <ul style="list-style-type: none"> - understanding of Company’s accounting policies and significant areas of the financial statements which are subject to professional judgement and include estimates, - communication with the key certified auditor acting on behalf of the predecessor auditor including discussion on the key audit issues and review of the audit work papers relating to prior year, - assessment of key audit issues from prior year and its impact on the financial statements for current year, - analysis of the opening balance adjustment recorded by the Management Board in relation to shares purchase option and also assessment of financial statements disclosures in this respect. <p>The results of our procedures and the revised audit strategy were communicated to the Management Board of the Company and to the Audit Committee.</p>
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Opinion

In our opinion, accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2017 and its financial performance for the year from 1 January 2017 to 31 December 2017 in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission and other applicable laws and the adopted accounting policies,
- have been prepared based on properly, in accordance with chapter 2 of Accounting Act, maintained accounting records,
- are in respect of the form and content in accordance with legal regulations governing the Company and the Company’s Statute.

Other matters

The financial statements for the prior financial year ended 31 December 2016 were subject to an audit by a key certified auditor acting on behalf of another authorised audit firm, who issued an unqualified opinion on these financial statements, dated 15 March 2017.

Report on other legal and regulatory requirements

Opinion on the Directors' Report

Our opinion on the financial statements does not include the Directors' Report.

The Company's Management is responsible for preparation of the Directors' Report in accordance with the Accounting Act and other applicable laws. In addition, the Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report meets the requirements of the Accounting Act.

Our responsibility in accordance with the Act on Statutory Auditors was to issue an opinion on whether the Director's Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the accompanying financial statements.

Our responsibility was also to make a statement, on whether based on our knowledge about the Company and its environment obtained during the audit of the financial statements we have identified in the Director's Report any material misstatements and to indicate the nature of each of material misstatement.

In our opinion the Directors' Report was prepared in accordance with the relevant regulations and reconciles with the information derived from the accompanying financial statements. Moreover, based on our knowledge of the Company and its environment obtained during the audit of the financial statements, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance application representation

The Company's Management and members of the Company's Supervisory Board are responsible for preparation of the representation on application of corporate governance in accordance with the applicable laws.

In connection with the conducted audit of the financial statements, our responsibility in accordance with the Act on Statutory Auditors was to issue an opinion on whether the issuer, obliged to present a representation on application of corporate governance, constituting a separate part of the Director's Report, included in the representation information required by applicable laws and whether the related information is in accordance with applicable regulations and with the information included in the accompanying financial statements.

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 91, section 5, point 4, letter a, b, g, j, k and l of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of deeming information required by the regulations of a non-member country equal ('Regulation'). Information stipulated in paragraph 91, section 5, point 4 letter c-f, h and i of the Regulation included in the representation on application of corporate

governance is in accordance with applicable laws and information included in the accompanying financial statements.

Information on preparation of the statement on non-financial information

In accordance with the requirements of the Act on Statutory Auditors, we inform that the Company has published information on the preparation of a separate report on non-financial information, referred to in art. 49b par. 9 of the Accounting Act and that the Company has prepared such a separate report.

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

Warsaw, 22 March 2018

Key Certified Auditor

Robert Klimacki
certified auditor No. 90055

on behalf of
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
Reg. No 130

EUROCASH S.A.

SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

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, 22 March 2018

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2017</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All values are expressed in Polish zloty (unless indicated otherwise)</i>		

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<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

GENERAL INFORMATION

1. INFORMATION ABOUT THE COMPANY

NAME

EUROCASH Spółka Akcyjna ("Company")

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Non-specialized wholesale trade
(PKD 4690Z)

REGISTRY COURT

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

PERIOD FOR WHICH THE COMPANY WAS ESTABLISHED

Indefinite

PERIOD COVERED BY THE FINANCIAL STATEMENTS

The reporting period started 1 January 2017 and ended 31 December 2017, and the comparable period is the period from 1 January 2016 to 31 December 2016.

The consolidated statement of financial position has been prepared as at 31 December 2017, and the comparative figures are presented as at 31 December 2016.

The Company prepared consolidated financial statements for the year ended on 31 December 2017, which was approved for publication on 22 March 2018.

2. BODIES OF THE COMPANY

2.1. MANAGEMENT BOARD

As at 31 December 2017, 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 Ciał – Member of the Management Board.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

2.2. SUPERVISORY BOARD

As at 31 December 2017, the Company's Supervisory Board consisted of the following members:

João Borges de Assunção – President of the Supervisory Board,
Eduardo Aguinaga de Moraes – Member of the Supervisory Board,
Francisco José Valente Hipólito dos Santos – Member of the Supervisory Board,
Hans Joachim Körber – Member of the Supervisory Board,
Jacek Sz wajkowski – Member of the Supervisory Board.

2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

On 13 January 2017, David Boner resigned from his position of Member of the Management Board, effective as at 13 January 2017.

On 22 February 2017, Przemysław Ciaś was appointed Member of the Management Board of Eurocash S.A.

3. THE DAMAGE SUFFERED BY THE COMPANY AS A RESULT OF THE ACTIVITIES OF EXTERNAL ENTITIES PARTICIPATING IN THE VAT FRAUD MECHANISM **

In the period from March to August 2017 an extensive and detailed audit of VAT settlements by Eurocash S.A was carried out. The audit covered settlements made in the years 2013 – 2017. It showed that Eurocash S.A. was used in a mechanism of VAT fraud by groups of outside entities in transactions concerning intra-Community delivery of goods. The audit consisted, inter alia, in a review of documentation, including e-mail correspondence, as well as verification of business partners of Eurocash S.A. who participated in the above-mentioned transactions.

The finding of the audit showed that Eurocash S.A. may be obligated to settle a VAT liability in favor of the State Treasury. In accordance with the estimate of the Management Board, the amount of the potential VAT liability may be 121 450 511 PLN. This amount was corrected downwards by the surplus of CIT which arose for the Company in connection with the disclosure of revenue from a sale in the part which corresponds to 23% VAT, and, thus, does not constitute an actual gain (revenue) of the Company. As a result, the Company made a apayment to bank account of the First Wielkopolski Tax Office in Poznań the amount of 95 746 902 PLN in respect of security of payment of the possible VAT liability.

The Management Board believes that the final amount of the VAT liability may differ from the amount paid by the Company in respect of security of payment of the possible VAT liability, once the tax authority has carried out a detailed analysis of the documentation gathered by the Company, as well as of the procedures used by Company and the explanations of the Company. The Company believes that it acted in good faith when carrying out the above-mentioned transactions, and that it regularly tightened up procedures aimed at countering such irregularities. Thus, the Company is proving before the Tax Office that, in the course of ongoing tax audit, it has been harmed by fraud, made by third parties without the Company's knowledge. Thus, the final amount of the VAT liability may be lower than the amount referred to above, while the Company may be due a refund of some of the funds paid.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

The Company Management Board emphasizes that payment of the liability will not have any impact on the Company's dividend policy, carried out also in previous years.

Negative impact on Net Profit for 2017 amounts to 114 400 861,47 PLN (0.82 PLN per share). Consolidated Net Debt of Eurocash will be negatively affected by 95 746 902 PLN (0.69 PLN per share).

The effect of this event was reflected in the financial result of the Company and of the Group in the mid-year and annual financial statements.

Eurocash Group continues to audit the VAT settlements by companies of the Eurocash Group as there exists a suspicion that potential irregularities could appear also in other companies of the Group. Taking into account the turnover of the remaining companies of the Group, gained on transactions concerning intra-Community delivery of goods, the risks associated with such potential irregularities are not material.

Eurocash S.A. stopped execution of such transactions concerning intra-Community delivery of goods.

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

*** Separate income statement*

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE INCOME STATEMENT FOR THE PERIOD FROM 01.01.2017 TO 31.12.2017

	Note	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016 restated *
Sales		14 859 167 869	14 225 192 888
Sales of goods	24	13 864 239 157	13 216 626 476
Sales of services	24	994 928 712	1 008 566 413
Costs of sales		(13 314 804 513)	(12 720 214 390)
Cost of goods and services sold		(13 314 804 513)	(12 720 214 390)
Gross profit (loss)		1 544 363 357	1 504 978 498
Selling expenses	25	(1 201 890 746)	(1 131 751 710)
General and administrative expenses	25	(257 739 539)	(245 149 772)
Profit (loss) on sales		84 733 071	128 077 016
Other operating income	26	42 278 532	41 903 765
Other operating expenses**	26	(149 021 257)	(35 003 509)
Operating profit (loss)		(22 009 654)	134 977 272
Financial income	27	53 756 600	49 638 176
Financial costs	27	(61 492 391)	(59 605 254)
Profit (loss) before tax		(29 745 445)	125 010 194
Income tax expense	22	(41 967 643)	(22 396 121)
Profit (loss) for the period		(71 713 088)	102 614 073

NET EARNINGS PER SHARE

		PLN / share	PLN / share
Net profit (loss)		(71 713 088)	102 614 073
Weighted average number of shares	28	139 158 564	139 023 791
Weighted average diluted number of shares	28	139 158 564	139 120 988
Earnings per share			
- basic	28	(0,52)	0,74
- diluted	28	(0,52)	0,74

* Note 1

** Pt. 3

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01.2017 TO 31.12.2017

	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016
Profit (loss) for the period	(71 713 088)	102 614 073
Other comprehensive income (loss) for the period	(173 072)	4 333 575
Items that may be subsequently reclassified to profit or loss:		
- The result on hedge accounting with the tax effect:	(173 072)	4 333 575
Total comprehensive income (loss) for the period	(71 886 160)	106 947 648

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31.12.2017

	Note	as at 31.12.2017	as at 31.12.2016 restated *
<i>Assets</i>			
Non-current assets (long-term)		2 901 783 317	2 716 658 883
Goodwill	2	862 819 840	862 819 840
Intangible assets	2	537 898 915	541 468 892
Property, plant and equipment	3	460 893 534	445 211 824
Investment real property	5	972 799	988 495
Investments in subsidiary companies	6	953 265 943	825 056 471
Investments in associates and joint ventures	7	40 586 757	38 375 300
Other long-term investments	8	42 293 906	58 723
Long-term receivables	9	2 012 691	1 891 493
Other long-term prepayments	10	1 038 932	787 846
Current assets (short-term)		2 421 155 239	2 379 432 605
Inventories	11	888 688 306	798 998 549
Trade receivables	12	1 258 480 286	1 310 850 709
Current tax assets	12	18 659 162	15 237 106
Other short-term receivables	12	58 719 957	90 215 076
Other short-term investments	13	51 335 537	35 432 551
Short-term prepayments	14	29 588 917	35 674 496
Cash and cash equivalents	15	115 683 074	93 024 119
Total assets		5 322 938 556	5 096 091 488

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All values are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31.12.2017

	Note	as at 31.12.2017	as at 31.12.2016 restated *
<i>Equity and liabilities</i>			
Equity		998 109 670	1 165 121 879
Share capital	16	139 163 286	139 096 361
Reserve capital		847 622 292	840 201 193
Hedge reserve		(6 483 777)	(6 310 705)
Retained earnings		17 807 869	192 135 030
Accumulated profit (loss) from previous years		89 520 957	89 520 957
Profit (loss) for the period		(71 713 088)	102 614 073
Liabilities		4 324 828 886	3 930 969 608
Non-current liabilities		87 317 132	194 045 772
Other long-term financial liabilities	21	693 162	149 308 867
Other long-term liabilities	19	903 500	829 850
Deferred tax liabilities	23	82 997 612	41 017 376
Employee benefits	18	2 722 858	2 889 679
Current liabilities		4 237 511 754	3 736 923 837
Loans and borrowings	20	691 467 746	738 498 237
Short-term financial liabilities	21	245 956 170	50 656 437
Trade liabilities	19	3 061 015 686	2 750 359 676
Other short-term payables	19	53 782 691	33 423 260
Current employee benefits	18	68 730 494	63 733 692
Provisions	18	116 558 967	100 252 534
Total equity and liabilities		5 322 938 556	5 096 091 488

BOOK VALUE PER SHARE

	as at 31.12.2017	as at 31.12.2016
Book value	998 109 670	1 165 121 879
Number of shares	139 163 286	139 096 361
Diluted number of shares	142 069 536	139 530 636
Book value per share	7,17	8,38
Diluted book value per share	7,03	8,35

* Note 1

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SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01.2017 TO 31.12.2017

	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016
<i>Cash flow from operating activities</i>		
Profit (loss) before income tax	(29 745 445)	125 010 194
Adjustments for:	147 845 797	136 098 869
Depreciation and amortization	114 132 123	111 494 591
Equity-settled shared share-based payment transactions	3 920 000	-
(Gain) loss on sale of property, plant and equipment	11 783 424	3 255 265
Interest expenses	47 713 008	54 029 764
Interest received	(3 415 066)	(9 986 577)
Income from dividends	(26 287 691)	(22 694 173)
Operating cash before changes in working capital	118 100 352	261 109 064
Changes in inventories	(89 689 757)	(65 496 068)
Changes in receivables	63 453 584	(145 139 283)
Changes in payables (excluding credits, loans and other financial liabilities)	316 499 226	4 140 945
Changes in provisions and employee benefits	26 541 672	7 549 636
Operating cash	434 905 077	62 164 293
Interest received	2 023 434	1 444 989
Interest paid	(1 566 767)	(13 068 531)
Income tax paid	(3 422 056)	(10 059 848)
Net cash from operating activities	431 939 689	40 480 904
<i>Cash flow from investing activities</i>		
Acquisition of intangible assets	(34 607 394)	(30 144 140)
Proceeds from sale of intangible assets	16 160	(86 947)
Acquisition of property, plant and equipment	(95 578 000)	(81 895 827)
Proceeds from sale of property, plant and equipment	1 704 136	10 169 794
Expenditure on other short-term financial assets	(50 264 534)	-
Acquisition of associates	(2 211 457)	(3 845 498)
Acquisition of subsidiaries, net of cash acquired	(106 884 472)	(88 389 100)
Advances for acquisition of subsidiaries	-	(21 000 000)
Loans granted	(24 348 375)	(24 355 832)
Repayment received of granted loans	5 700 000	323 129 026
Interest received	389 464	4 034 507
Dividends received	26 287 691	22 694 173
Net cash used in investing activities	(279 796 782)	110 310 155
<i>Cash flows from financing activities</i>		
Proceeds from issue of share capital	2 543 150	10 147 900
Income/expenses for other financial liabilities	(4 663 046)	(4 852 862)
Issuance of short term debt securities	58 533 443	21 000 000
Proceeds from loans and borrowings	23 335 024	200 000 000
Repayment of borrowings	(67 880 924)	(147 952 961)
Payment of finance lease liabilities	(1 427 351)	(1 935 716)
Other interest	(19 261 715)	(18 929 698)
Interests on loans and borrowings	(19 073 334)	(18 866 301)
Dividends paid	(101 589 199)	(139 084 436)
Net cash used in financing activities	(129 483 951)	(100 474 074)
Net change in cash and cash equivalents	22 658 955	50 316 986
Cash and cash equivalents at the beginning of the period	93 024 119	42 707 133
Cash and cash equivalents at the end of the period	115 683 074	93 024 119

Separate financial statements of EUROCASH S.A.			
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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

SEPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 01.01.2017 TO 31.12.2017

	Share capital*	Reserve capital	Hedge reserve	Retained earnings	Total
<i>Changes in equity in the period from 01.01 to 31.12.2016</i>					
Balance as at 1 January 2016	138 829 311	468 723 565	(10 644 280)	590 202 171	1 187 110 767
Total comprehensive income for the reporting period					
Profit (loss) for the period from 01.01. to 31.12.2016	-	-	-	102 614 073	102 614 073
Other comprehensive income for the period 01.01 to 31.12.2016	-	-	4 333 575	-	4 333 575
Total comprehensive income for the period from 01.01. to 31.12.2016	-	-	4 333 575	102 614 073	106 947 648
Dividends	-	-	-	(139 084 436)	(139 084 436)
Transfer to reserve capital	-	361 596 778	-	(361 596 778)	-
Share options exercised	267 050	9 880 850	-	-	10 147 900
Total transaction with Owners of the Company recognized directly in equity	267 050	371 477 628	-	(500 681 214)	(128 936 536)
Balance as at 31.12.2016	139 096 361	840 201 193	(6 310 705)	192 135 030	1 165 121 879
<i>Changes in equity in the period from 01.01. to 31.12.2017</i>					
Balance as at 01 January 2017	139 096 361	840 201 193	(6 310 705)	192 135 030	1 165 121 879
Total comprehensive income for the reporting period					
Profit (loss) for the period from 01.01 to 31.12.2017	-	-	-	(71 713 088)	(71 713 088)
Other comprehensive income for the period 01.01 to 31.12.2017	-	-	(173 072)	-	(173 072)
Total comprehensive income for the period from 01.01. to 31.12.2017	-	-	(173 072)	(71 713 088)	(71 886 160)
Dividends	-	-	-	(101 589 199)	(101 589 199)
Transfer to reserve capital	-	1 024 874	-	(1 024 874)	-
Equity-settled share based payment transactions**	-	3 920 000	-	-	3 920 000
Share options exercised	66 925	2 476 225	-	-	2 543 150
Total transaction with Owners of the Company recognized directly in equity	66 925	7 421 099	-	(102 614 073)	(95 126 049)
Balance as at 31.12.2017	139 163 286	847 622 292	(6 483 777)	17 807 869	998 109 670

* Note 16

* Note 17

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

NOTES TO SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2017 TO 31.12.2017

1. GENERAL INFORMATION

1.1. PUBLICATION OF THE FINANCIAL STATEMENT

According to the resolution of the Management Board dated 22 March 2018, separate financial statements of Eurocash S.A. for the period from 1 January 2017 to 31 December 2017 were authorized for publication.

According to the information included in current report no.1/2018, dated 15 January 2018, sent to the Polish Financial Supervision Authority, Eurocash S.A. publishes its separate financial statements on 23 March 2018.

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

1.2. STATEMENT OF COMPLIANCE

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU IFRS").

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

Standards and interpretations that have been issued but are not binding, because they have not been approved by the European Union or have been approved by the European Union, but have not been applied by the Company before, are presented below.

Implementation of IFRS 9

IFRS 9 „Financial Instruments” effective for the financial years beginning on or after 1 January 2018 with the possibility of earlier adoption.

IFRS 9 requires all the financial assets, within the scope of IAS 39, to be measured at an amortized cost or fair value. Debt investments held within a business model whose objective is to obtain the appropriate cash flow, consisting of a fixed basic payment amount and interest - are measured at an amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, changes in fair value of capital investments that are not held for trading may be presented in other comprehensive income, while in the income statement, it is recognized only as dividend. The decision is irreversible.

The Company does not expect the new standard to have a significant impact on the Group's financial statements

Implementation of IFRS 15

The new accounting standard issued on 28 May 2014 applies to annual periods beginning on or after 1 January 2018.

The new standard primarily changes the way in which entities account for contracts with customers, mainly when one contract is related to the provision of services and goods.

The principles set out in IFRS 15 will apply to all contracts resulting in revenues. The new standard provides a unified model of recognition and valuation of sales. In accordance with it, the contract with the customer will be analyzed in five stages, including:

1. identification of contract,

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2. identification of contractual (individual) obligations to perform service contained in the agreement,
3. setting the price transaction,
4. allocation of the price for the contract to realize the benefits contained in the agreement,
5. revenue recognition at the time of fulfillment of the obligations by the entity.

In accordance with IFRS 15, an entity recognizes revenue at the time of the fulfillment of a performance obligation, that is, now of transfer a control over the goods or services covered by this commitment to the customer. IFRS 15 also includes a much more restrictive guidance on specific aspects of revenue recognition. It also requires disclosure of a wide range of information. On 12 April 2016 explanations providing additional information and clarification regarding the key assumptions used in IFRS 15, including on the identification on separate responsibilities, determining whether an entity acts as an intermediary (agent), or is the main supplier of goods and services (principal) and the method of recording revenue from licenses have been published. Apart from the additional explanations, also exemptions and simplification were introduced for entities applying the new standard for the first time. IFRS 15 will come into force in the financial year commencing on January 1, 2018. Upon implementation, IFRS 15 will replace the guidance on revenue recognition in IAS 18 "Revenue", IAS 11 "Construction Contracts" and related Interpretations.

The Company has analyzed the impact of the standard and does not expect it to affect its result.

The Company only identified the presentation impact on the income statement, which is presented below.

	Before corrections from 01.01.2017 to 31.12.2017	Corrections	After corrections from 01.01.2017 to 31.12.2017
Sales	14 859 167 869	(1 130 521 116)	13 728 646 755
Sales of goods	13 864 239 157	(211 796 071)	13 652 443 086
Sales of services	994 928 712	(918 725 044)	76 203 669
Costs of sales	(13 314 804 513)	1 130 521 114	(12 184 283 398)
Cost of goods and services sold	(13 314 804 513)	1 130 521 114	(12 184 283 398)
Gross profit (loss)	1 544 363 357	-	1 544 363 357

Implementation of IFRS 16

IFRS 16 „Leases” effective for the financial years beginning on or after 1 January 2019.

IFRS 16 establishes rules for the recognition, valuation, presentation and disclosures relating to the lease. All leasing transactions result in obtaining the lessee's right to use the assets and liabilities arising from the obligation to pay. Thus, IFRS 16 abolishes the distinction between operating leases and finance leases and introduces a model of accounting by the lessee. The lessee will be required to include:

- assets and liabilities for all leases entered a period of over 12 months, except when the asset is a low value;
- depreciation of leased assets separately from the interest on the lease liability in the financial statements.

Detailed analysis of the impact of the new standard on the financial statements of the Company has not yet been completed, The analysis is still in progress.

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Other standards and interpretations:

- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard– not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016;
- IFRS 15 *Revenue from Contracts with Customers* (issued on 28 May 2014), including amendments to IFRS 15 *Effective date of IFRS 15* (issued on 11 September 2015) - effective for financial years beginning on or after 1 January 2018;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued on 12 September 2016) - effective for financial years beginning on or after 1 January 2018;
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (issued on 20 June 2016) - effective for financial years beginning on or after 1 January 2018,
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* which are part of *Annual Improvements to IFRS Standards 2014-2016 Cycle* (issued on 8 December 2016) – effective for financial years beginning on or after 1 January 2018,
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* which are part of *Annual Improvements to IFRS Standards 2014-2016 Cycle* (issued on 8 December 2016) – effective for financial years beginning on or after 1 January 2018,
- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2018;
- Amendments to IAS 40: *Transfers of Investment Property* (issued on 8 December 2016) effective for financial years beginning on or after 1 January 2018;
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2021;
- IFRIC 23 *Uncertainty over Income Tax Treatments* (issued on 7 June 2017) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2019,
- Amendments to IFRS 9: *Prepayment Features with Negative Compensation* (issued on 12 October 2017)) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures* (issued on 12 October 2017) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019;
- *Annual Improvements to IFRS Standards 2015-2017 Cycle* (issued on 12 December 2017) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019,
- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement* (issued on 7 February 2018) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019.

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

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

1.4. FUNCTIONAL AND PRESENTATION CURRENCY ROUNDINGS

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

1.5. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revised accounting estimates are recognized in the current period and in any future periods affected. The most significant estimates are related to allocation of the acquisition price of the companies, impairment of assets and reserves, which are described in Notes 4, 6, 7 and 18. The company identifies control over the entities in which it holds fifty or fewer percent of shares based on the analysis performed in accordance with IFRS 10 and on the basis investment agreements.

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 2016, except for the below amendments. These changes were applied in the attached financial statements on their effective date and had no significant impact on the disclosed financial information, or did not apply to the the Company's transactions.

- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
The changes clarify issues related to deductible temporary differences associated with debt instruments measured at fair value, estimation of probable future taxable profits and assessment of whether taxable profits will be available against which the deductible temporary differences can be utilised. The changes are applied retrospectively.
- Amendments to IAS 7 Disclosure Initiative
The changes require the entity to disclose information that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Entities need not provide comparative information when they first apply the amendments.
- Amendments to IFRS 12 Disclosure of Interests in Other Entities which are part of Annual Improvements to IFRS Standards 2014-2016 Cycle
The changes clarify that the requirements in the standard apply also to an entity's interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and unconsolidated structured entities that are classified (or included in a disposal group that is classified) as held for sale or

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discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operation.

The Company has not decided to apply earlier any Standard, Interpretation or Amendment that has been issued, but has not yet become effective in light of the EU regulations.

1.7. GOING CONCERN

The financial statements were prepared under the assumption that the Company would continue to operate as a going concern for the foreseeable future.

2. APPLIED ACCOUNTING POLICIES

2.1. ACCOUNTING POLICIES

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

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

The most significant accounting policies applied by Eurocash S.A. are presented in points 2.2 through 2.34.

2.2. FINANCIAL YEAR

The Company's financial year is a calendar year.

2.3. FORMAT AND CONTENT OF SEPARATE FINANCIAL STATEMENTS

In particular, the separate financial statements consist of:

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

2.4. FOREIGN CURRENCY TRANSACTIONS

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

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

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

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

	31.12.2017	31.12.2016
EUR	4,1709	4,4240

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

2.5. INTANGIBLE ASSETS

Definition

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

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

Initial measurement of 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% |

Eurocash considers the trademarks "Eurocash" and "abc" to be recognizable on the market and intends to use them in its activities for a prolonged period. Therefore, the Company assumes that the life of trademarks "Eurocash" and "abc" is indefinite and not subject to amortization. Trademarks "Eurocash" and "abc" are subject to an annual impairment test.

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

Review of amortization rates and possible impairment

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

Not later than as at the end of the reporting year, intangible assets are reviewed in terms of existence of any impairment criteria and the need to write down impairment losses. Impairment losses are written down to other operating expenses not later than as at the reporting date, i.e. in the period they occurred.

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

Measurement of intangible assets as at the reporting date

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

2.6. PROPERTY, PLANT AND EQUIPMENT

Definition

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

Property, plant and equipment shall include in particular:

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

Initial measurement of tangible fixed assets

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

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

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

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

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

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

Subsequent expenditure

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.

Depreciation

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

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

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

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

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

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

Review of depreciation rates and possible impairment

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

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

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

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

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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 (for certain assets), capitalized in accordance with the accounting policy specified in section 2.7.

Stocktaking of tangible fixed assets

Stocktaking of tangible fixed assets is performed every four years.

2.7. 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.

2.8. LEASES

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

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

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

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

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

Minimum lease payments made under finance leases are apportioned between finance costs and reduction of outstanding debt. The finance expense is allocated to each period during the lease term so as to produce a fixed periodic rate of interest on the outstanding balance of the liability.

Contingent lease payments are presented through adjustment of minimum lease payments over the remaining term of the lease when the adjustment is confirmed.

If the Company uses any assets under operating leases, such assets are not recognized in the statement of financial position. Operating lease payments are carried to profit or loss for the duration of the lease according to straight-line method. Special promotional offers are

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presented as an integral part of total costs of lease throughout the term of lease, accordingly.

2.9. INVESTMENT PROPERTY

Investment property comprises property held as a source of income from rent and/or for the anticipated increase of value.

Investment property items are initially measured at acquisition price or production cost, after transaction closing costs. As at the reporting date, investment property is measured at the acquisition price or production cost less accumulated depreciation and any accumulated impairment losses, calculated according to the rules applicable to tangible fixed assets.

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

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

If there is evidence of impairment in respect of investments in subsidiaries, the Company performs tests for impairment, for which investments in subsidiaries are represented by assets and liabilities controlled by the Company. When determining the value in use, the Company takes into account the cash flows generated by the assets and liabilities held by subsidiaries.

2.11. 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.

2.12. 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.

Long-term prepayments include but are not limited to:

- IT licenses
- Alcohol sales licenses

2.13. 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.

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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. In addition, after recognition of investments carried according to equity method to assets available for sale or issue, this method of presentation shall be discontinued.

2.14. 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

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 Company applies the same method to determine purchase prices for all items of inventories.

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.

Measurement of inventories as at the end of the reporting period

Inventories are measured at acquisition price or production cost not exceeding the net realisable value. Net realisable value is the estimated sale price in the ordinary course of business less the estimated cost of completion and effectuating the sale.

The Company identifies the following circumstances that lead to writing down impairment of inventories to the level of net realisable value:

- loss of functional quality of inventories (damage, obsolete, etc.)
- a level of inventories exceeding the demand and selling possibilities
- low turnover of inventories

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- 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.

The amount of any write-down of inventories is recognized in costs of goods sold.

2.15. NON-DERIVATIVE FINANCIAL INSTRUMENTS

At initial recognition, financial instruments are measured at fair value plus transaction costs directly attributable to acquisition or issue of the given financial instrument, except when the instrument is classified as at fair value in profit or loss.

The Company derecognizes a financial asset in its statement of financial position when its rights to derive economic benefits expire, along with related risks, or when the foregoing are transferred to any third parties. A financial liability is derecognized upon repayment, redemption or aged. A financial liability is derecognized when it is paid, canceled or barred. In addition, exchange of financial liabilities with substantially different terms is recognized as a derecognition of the original financial liability and the recognition of a new financial liability. The exchange of financial liabilities, which does not cause a substantial change in the conditions, does not result in derecognition the original liability and the recognition of a new liability, for example, reverse factoring agreement due to trade liabilities, which do not substantially change the conditions of the original trade liabilities, does not result in derecognition the trade liabilities and recognition of new financial liabilities due to factoring.

Fair value of financial instruments listed on an active market is their listed closing bid price at the last date preceding the reporting period end date.

However, for financial instruments not traded on an active market, fair value is determined by using valuation techniques which include comparison against market value of another financial instrument with essentially the same qualities, listed on an active market, based on estimated cash flows or valuation models of options, taking into account circumstances specific to the Company.

As at the end of the reporting period, the Company determines whether objective indications of impairment have occurred for individual assets or asset groups.

Financial assets and liabilities are offset and presented in the statement of financial position when and only when the Company has a legal right to offset specific assets and liabilities and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are classified in the following categories:

- financial assets held to maturity,
- loans and receivables,
- financial assets available for sale,
- financial assets measured at fair value through profit or loss.

Classification of financial instruments depends on the purpose of purchase.

(a) Financial assets held to maturity

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These are non-derivative financial assets with fixed or determinable payments and a fixed maturity date that the Company has a positive intention and ability to hold to maturity, other than financial assets recognized as financial instruments carried at fair value through profit or loss, investments available for sale, loans and receivables.

Assets that are sold within 12 months of the end of the reporting period are recognized as current assets.

Investments held to maturity are measured at the amortized cost using the effective interest rate less impairment losses, if any.

(b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not traded on an active market, arising as a result of cash expenditures, supplying goods or rendering services for the benefit of the debtor which are not intended to be recognized as assets measured at fair value in profit or loss.

The assets are recognized as current assets excluding those with maturity dates exceeding 12 months of the reporting date.

Financial assets classified as loans and receivables are subsequently measured at amortized cost using the effective interest rate less impairment losses if any.

Loans and receivables comprise cash, trade receivables and other receivables

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or not designated as categories (a), (b) or (d). They are recognized as current assets if there is an intention of their disposal within 12 months of the end of the reporting period. Available-for-sale financial assets are measured at fair value, excluding investments in capital instruments which are not quoted at market prices on an active market and whose fair value may not be measured reliably.

Available-for-sale financial assets' fair value changes, other than those resulting from impairment, are recognized in other operating income and presented in equity as a separate line item until disposal or until the time of complete impairment; at that time, cumulative gain or loss previously presented in other comprehensive incomes will be presented in profit or loss.

(d) Financial assets and liabilities carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss are financial instruments designated as held for trading or instruments designated as such upon initial recognition. After initial recognition, attributable transaction costs are recognized in the income statement as incurred. All profits and losses concerning those investments are recognized in the income statement.

Financial liabilities

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

- (a) financial liabilities designated as carried at fair value through profit or loss,
- (b) financial liabilities recognized as a result of reclassification of financial assets that are not qualified for derecognition from the statement of financial position,
- (c) financial guarantee contracts,

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(d) obligations to grant low-interest or zero-interest loans

2.16. DERIVATIVES

The Company uses derivatives to hedge its foreign currency and interest rate risk exposure. Embedded derivatives are separated from the host contract and accounted for as a stand-alone derivative if the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, or if a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, or if a hybrid instrument is not measured at fair value through net profit or loss.

At the time of initial recognition of the hedging position, the Company formally documents the relationship between the hedging instrument and hedged item. This documentation contains the purpose of risk management as well as methods that will be used to assess the effectiveness of the hedging instrument.

The hedge is assessed by the Company at the inception and on an ongoing basis in terms of whether there continue to exist reasonable grounds to expect that the hedging instruments will remain "highly effective" in compensating for any changes in fair value or cash flows attributable to the specific items hedged throughout the period for which the hedge is established, and whether the actual value of each hedge is within the range of 80-125%.

Hedging of future transaction cash flows is applied to highly probable future transactions exposed to cash flow changes risk that would be recognized as a profit or loss of the current reporting period.

Derivatives are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss account as incurred. Subsequent to initial recognition, the Company measures derivatives at fair value. Gains and losses resulting from any change of fair value are recognized in the way described below.

Cash flow hedges

When a derivative is designated as a hedge of cash flows attributable to a particular asset, liability or a highly probable scheduled transaction involving third parties, the part of gains and losses related to the hedge which constitutes the effective hedge is recognized in other comprehensive income and presented in the hedging reserve in equity. Any ineffective part of gains or losses related to the hedging instrument is recognized immediately in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued by the Company. Any cumulative gain or loss previously recognized in other comprehensive income and presented in equity remains there until the transaction is closed and presented in the income statement accordingly. When the hedged item is not a financial asset, its value will be adjusted at the time of presentation by amounts previously recognized in other comprehensive income. Otherwise, amounts carried to other comprehensive income are recognized in profit or loss in the same period(s) in which the hedged item affects profit or loss of the period.

Other non-trading derivatives

When a derivative financial instrument is not held for trading and is not designated as a hedging instrument, all changes in its fair value are recognized immediately as profit or loss of the current period.

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2.17. 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

Trade receivables and other receivables are measured at fair value as they occur and are subsequently measured at amortized cost using effective interest rate method, less bad debts allowance.

Irrecoverable receivables are written off profit or loss at the time their irrecoverability is ascertained.

Penalty interest for late payment by the Company's customers are recognized when the Company receives the related cash.

Measurement of receivables denominated in foreign currency as at the end of the reporting period

Foreign currency receivables are translated at least as at every reporting date, at the spot rate of exchange. Foreign exchange differences related to foreign currency receivables are recognized as other finance incomes or other finance costs, respectively.

Bad debts allowance

Allowances for bad debt are established for:

- receivables from debtors put into liquidation or declared bankrupt - up to the amount of the debts not covered by a guarantee or other payment security,
- receivables from debtors whose petition for bankruptcy has been dismissed if the given debtor's property is not sufficient to cover the costs of bankruptcy proceedings – up to the full amount,
- debts disputed by debtors - up to the amount of debt not covered by payment security,
- debts overdue or not yet overdue but with a considerable degree of probability of aging – at the Company's reasonable estimate (based on past experience, reliable reviews, forecasts, etc.),
- debts claimed in court – at 100% of the amount receivable.

The amount of allowance derives not only from events that took place before the reporting date but also events revealed subsequent to the date of the financial statements' authorization for publication by the Management Board, provided that those events relate to a debt presented in the accounts as at the reporting date.

Bad debt allowances are recognized in other operating expenses or financial costs if they concern interest debt.

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2.18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, call deposits. The balance of cash and cash equivalents as presented in the cash flow statement comprises the cash and cash equivalents specified below less outstanding bank overdrafts which form an integral part of the Company's cash management system.

2.19. SHORT-TERM PREPAYMENTS

Short-term prepayments are analyzed at each reporting date. The assessment is made by the Company based on reasonable criteria and knowledge about each prepayment.

Short-term prepayments include the short-term part of the following main items:

- rent prepayments,
- prepaid electricity and central heating,
- prepaid subscriptions, insurance,
- prepayments for other services (e.g. telecommunications),
- advance payments for lease of equipment.

2.20. IMPAIRMENT

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed by the Company as at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event occurred after the initial recognition of the asset, and that the loss event could have a negative effect on estimated future cash flows related to the given asset.

Objective evidence that financial assets (including equity securities) are impaired may include:

- default or delinquency by the debtor;
- restructuring of the debtor's debt which was approved by the Company for economic or legal reasons concerning the debtor's financial problems which the Company would not have approved otherwise;
- indication that the debtor or Company is highly probable to be pronounced bankrupt;
- an active market for the given financial asset ceases to exist;
- significant or prolonged decline in recoverable value of an investment in equity instruments below acquisition price.

The Company considers evidence of impairment of receivables and held-to-maturity investments at the level of specific asset as well as for asset groups. All individually significant receivables and held-to-maturity investments are assessed for specific impairment.

All individually significant receivables and held-to-maturity investments found not to be specifically impaired are then collectively assessed for any impairment not identified otherwise. Receivables and held-to-maturity investments without individually significant values are collectively assessed for impairment by grouping together items with similar risk characteristics.

In assessing risk of impairment for asset groups, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for Management's assessment as to whether current economic and credit conditions are such that the actual losses are likely to differ greatly from those suggested by historical trends.

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An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and they reduce the carrying value of receivables, while the Company continues charging interest on updated assets. When a subsequent event indicate that the circumstances causing the impairment have disappeared, then reversal of impairment is presented as net profit or loss of the current period.

Impairment losses on available-for-sale financial assets are recognized by transferring the cumulative loss previously recognized in other comprehensive income as revaluation capital and presented in the fair value reserve in equity, to profit or loss of the current period. The cumulative loss referred to above is calculated as the difference between the acquisition cost, net of any principal repayment and amortization, and fair value less any impairment loss previously recognized in the income statement. Changes in impairment attributable to time value of money are reflected as interest income.

If, in subsequent periods, the fair value of an impaired available-for-sale debt security increases and the increase can be attributed objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed, with the amount of the reversal recognized in the income statement. Reversal of impairment of fair value of capital instruments available for sale will be recognized in other comprehensive income.

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. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amounts are estimated as at the end of each financial year.

The recoverable amount of an asset or cash-generating unit is the greater of its net realizable value and its value in use. In assessing the value in use, estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest groups of assets that generate cash inflows that are largely independent of other assets or groups of assets (cash-generating units; CGUs).

For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment tests are conducted reflects the lowest level of organization at which goodwill is monitored by the Company for internal reporting purposes.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to those CGUs that are expected to benefit from the synergies of the combination.

Shared assets do not generate separate cash inflows. If there is an indication that a shared asset may be impaired, then the recoverable amount is determined for the CGUs to which the shared assets belong.

An impairment loss is recognized when the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are presented first as reduction of the

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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.

2.21. EQUITY

Ordinary shares

Ordinary shares are classified as equity. Costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Repurchase of treasury shares

In the case of purchase of treasury shares, the amount of the consideration paid, which includes directly attributable costs net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as a separate item of shareholders' equity with a minus sign. When treasury shares are sold or reissued subsequently, the amounts received 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.

2.22. 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.

2.23. 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).

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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.

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.

2.24. 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.

2.25. 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.

2.26. SALES

Sales are measured at fair value of payments received or receivable and represent receivables for goods provided and services rendered in the course of ordinary business activities, net of any discounts, value added tax, and other taxes related to sales (excise duty).

Goods sold

Revenues from sales of goods are recognized when the following conditions have been fulfilled:

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- the essential risks and rewards of ownership of the goods have been transferred to the buyer,
- there is no continued involvement of the company with management of goods sold and there is no effective control over those goods,
- the amount of revenue can be measured reliably,
- it is likely that the transaction will result in revenues generated by the company,
- actual and future costs incurred by the company in relation to the transaction can be estimated reliably,
- probability of return can be estimated reliably.

Services

If the outcome of a service transaction can be estimated reliably, revenues from the transaction are presented on the basis of the advancement of completion of the transaction as at the reporting date. The outcome of the transaction can be measured reliably when all the conditions specified below are fulfilled:

- the amount of revenue can be measured reliably,
- it is likely that the company will yield economic benefits from the transaction,
- the stage of advancement of the transaction as at the end of the reporting period can be assessed reliably,
- associated costs and costs of closing the transaction can be estimated reliably.

When the outcome of a service transaction may not be measured reliably, revenue from services rendered is recognized only up to actual costs incurred that are likely to be recovered according to the company.

2.27. 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.

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

2.28. 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.

2.29. SHARE-BASED PAYMENTS

Share-based payment schemes enable employees to take up the Company's shares. Fair value of granted options for shares is recognized as a separate position in profit or loss as cost of manager shares scheme, with a corresponding increase in equity (reserve capital). Fair value is measured as at the grant date and recognized over the period that the employees become unconditionally entitled to realize the options. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be fulfilled.

Fair value of employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price as at the measurement date, exercise price of the instrument, expected volatility (based on the weighted average historical volatility adjusted for changes expected due to publicly available information), expected weighted average life of the instruments (based on historical experience and general option holders' behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

2.30. INCOME TAX

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on taxable income or loss for the reporting period, determined according to the taxable base for the reporting period, with adjustments in respect of previous reporting periods. Taxable income differs from the accounting profit (loss) regarding elimination of taxable income and deductible costs related to future years and incomes and expenses which will never be taxable. Tax liabilities are calculated based on tax rates effective during the reporting period.

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Deferred tax is calculated according to balance sheet method as tax payable or refundable in the future on timing differences between the carrying amounts of assets and liabilities and corresponding tax amounts used to determine the taxable base.

Provision for deferred tax is recognized for all temporary taxable gains and deferred tax asset is recognized to the extent that it is probable that future tax profits will be available against which they can be utilized. Deferred tax asset or liability is not recognized for taxable temporary differences arising on the initial recognition of goodwill and on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, excluding transactions related to mergers and acquisitions.

Deferred tax assets are reviewed as at the end of each reporting period and if the expected future tax gains are not sufficient to realize the asset or its part, the amount realizable is recognized.

Deferred tax is measured at the tax rates that are expected to be applied at the time of effective realization of an asset or at the maturity date of the liability, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is recognized in profit or loss, except items recognized directly in equity or other comprehensive income. Then, deferred tax is presented directly in equity or other comprehensive income.

Deferred tax assets and provisions are offset if the Company has a legally enforceable title to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities that intend to settle income tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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.

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

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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.

2.33. 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.

2.34. 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.

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

3. NOTES TO SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2017 TO 31.12.2017

NOTE 1. RESTATEMENT OF COMPARATIVE DATA

The following correction is related to the reclassification of costs related to tangible current assets from other operating expenses to the costs of goods sold.

	The amount in the approved report for the period from 01.01.2016 to 31.12.2016	Correction for the period from 01.01.2016 to 31.12.2016	The corrected amount for the period from 01.01.2016 to 31.12.2016
Costs of sales	(12 664 587 741)	(55 626 650)	(12 720 214 390)
Costs of goods sold	(12 664 587 741)	(55 626 650)	(12 720 214 390)
Profit (loss) on sales	183 703 666	(55 626 650)	128 077 016
Other operating income	44 238 787	(2 335 023)	41 903 765
Other operating expenses	(92 965 181)	57 961 672	(35 003 509)
Operating profit (loss)	134 977 272	-	134 977 272

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The restatement below in the amount of PLN 7,600,000 is related to the change of presentation of deferred tax.

Adjustment for the amount of PLN 69,189,100 is a consequence of the analysis of contracts and the fact that, in the case of the option of acquiring 50% of the shares in Rogala, Madas and FHC-2, there is no obligation of Eurocash S.A. to purchase own equity instruments and the Company's equity should not be reduced. The obligation to repurchase shares in subsidiaries is conditional, that is: no current outflow of funds is required. At the time of exercising the options and buying the remaining 50% of the shares, the carrying amount of the investments in subsidiaries will increase, the net assets of the Company should remain unchanged.

	The amount in the approved report as at 31.12.2016	Corrections	The corrected amount as at 31.12.2016
Current assets (short-term)	2 371 832 605	7 600 000	2 379 432 605
Current tax receivables	7 637 106	7 600 000	15 237 106
Total assets	5 088 491 488	7 600 000	5 096 091 488

	The amount in the approved report as at 31.12.2016	Corrections	The corrected amount as at 31.12.2016
<i>Equity and liabilities</i>			
Equity	1 095 932 779	69 189 100	1 165 121 879
Equity attributable to Owners of the Company	1 095 932 779	69 189 100	1 165 121 879
Capital connection	(69 189 100)	69 189 100	-
Liabilities	3 992 558 708	(61 589 100)	3 930 969 608
Non-current liabilities	255 634 872	(61 589 100)	194 045 772
Other long-term liabilities	70 018 950	(69 189 100)	829 850
Deferred tax liabilities	33 417 376	7 600 000	41 017 376
Total equity and liabilities	5 088 491 488	7 600 000	5 096 091 488

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**NOTE 2.
GOODWILL AND INTANGIBLE ASSETS**

The table below presents intangible asset data.

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2017

	Goodwill	Patents and licences	Trademarks	Relations with clients	Other intangible fixed assets	Advances	Total
Carrying amount as at 01.01.2016	862 819 840	27 749 039	295 460 229	223 487 371	5 164 028	-	1 414 680 507
Other acquisitions	-	28 122 514	-	-	563 959	1 457 667	30 144 140
Increases due to the transfer of fixed assets under construction	-	47 252	-	-	252 861	-	300 113
Decrease due to sale	-	(3 901)	-	-	-	-	(3 901)
Decrease due to the transfer of fixed assets under construction	-	-	-	-	-	(2 760)	(2 760)
Depreciation	-	(19 832 218)	(2 000 000)	(17 537 507)	(1 459 642)	-	(40 829 367)
Carrying amount as at 31.12.2016	862 819 840	36 082 686	293 460 229	205 949 864	4 521 206	1 454 907	1 404 288 732
Carrying amount as at 01.01.2017	862 819 840	36 082 686	293 460 229	205 949 864	4 521 206	1 454 907	1 404 288 732
Other acquisitions	-	18 376 819	4 292 712	-	-	11 877 185	34 546 716
Increases due to the transfer of fixed assets under construction	-	2 764 691	-	-	-	(1 115 065)	1 649 626
Decrease due to sale	-	(12 757)	-	-	(3 267)	-	(16 024)
Depreciation	-	(18 564 390)	(2 000 000)	(17 537 507)	(1 648 398)	-	(39 750 295)
Carrying amount as at 31.12.2017	862 819 840	38 647 049	295 752 941	188 412 357	2 869 541	12 217 027	1 400 718 755

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	<i>1 January -31 December 2017</i>	Presentation currency:	<i>Polish zloty (PLN)</i>
Level of round-offs:	<i>All amounts are expressed in Polish zloty (unless indicated otherwise)</i>		

INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017 (continued)

	Goodwill	Patents and licences	Trademarks	Relations with clients	Other intangible fixed assets	Advances	Total
<i>As at 31.12.2016</i>							
Cost	862 819 840	133 748 209	311 916 652	256 297 960	19 797 516	1 454 907	1 586 035 083
Accumulated amortisation and impairment losses	-	(97 665 523)	(18 456 423)	(50 348 096)	(15 276 309)	-	(181 746 351)
Carrying value	862 819 840	36 082 686	293 460 229	205 949 864	4 521 206	1 454 907	1 404 288 732
<i>As at 31.12.2017</i>							
Cost	862 819 840	154 876 962	316 209 364	256 297 960	19 794 249	12 217 027	1 622 215 401
Accumulated amortisation and impairment losses	-	(116 229 913)	(20 456 423)	(67 885 603)	(16 924 707)	-	(221 496 646)
Carrying value	862 819 840	38 647 049	295 752 941	188 412 357	2 869 541	12 217 027	1 400 718 755

Goodwill presented in intangible assets arose as a consequence of:

- acquisition by Eurocash S.A. of an organized part of "Carment M. Stodółka i Wspólnicy Spółka Jawna" enterprise as at 16.08.2006 in the amount of PLN 9,975,600,
- merger with Przedsiębiorstwo Handlowe Batna Sp. z o.o. as at 01.07.2010 in the amount of PLN 29,180,412,
- merger with Eurocash Dystrybucja Sp. z o.o. as at 01.09.2010 in the amount of PLN 56,868,456,
- acquisition of organized part of the business of Premium Distributors Sp. z o.o. as at 01.10.2013 in the amount of PLN 226,352,528,
- merger with Tradis Sp. z o.o. as at 04.04.2014 in the amount of PLN 529,014,483,
- merger with PolCater Sp. z o.o. as at 01.10.2014 in the amount of PLN 11,428,360.

The Company has the following trademarks with indefinite useful lives:

- the trademark "Eurocash" with a book value of PLN 179,000,000,
- the trademark "abc" with a book value of PLN 110,000,000.

Apart from the above mentioned trademarks, there is another trademark recognized in the Company's ledgers: "Batna", with a defined useful life.

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 4.

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NOTE 3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment items are presented below:

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2017

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Carrying amount as at 01.01.2016	295 956 725	83 959 480	13 313 816	59 310 827	9 341 838	461 882 685
Other acquisitions	5 550 066	22 048 909	9 183 281	24 594 491	6 104 133	67 480 880
Increases due to the transfer of fixed assets under construction	7 061 451	928 740	11 080	797 174	(9 095 798)	(297 353)
Disposals	(10 430 552)	(76 878)	(1 801 558)	(41 576)	(58 000)	(12 408 565)
Liquidations	(404 922)	(140 023)	(13 907)	(154 718)	-	(713 570)
Leasing decrease	-	-	(82 726)	-	-	(82 726)
Depreciation	(20 664 389)	(21 068 050)	(4 336 646)	(24 580 442)	-	(70 649 528)
Carrying amount as at 31.12.2016	277 068 378	85 652 178	16 273 340	59 925 755	6 292 173	445 211 824
Carrying amount as at 01.01.2017	277 068 378	85 652 178	16 273 340	59 925 755	6 292 173	445 211 824
Other acquisitions	10 644 951	31 704 941	6 303 145	20 625 565	34 978 212	104 256 814
Increases due to the transfer of fixed assets under construction	6 320 971	483 091	-	917 038	(9 370 726)	(1 649 626)
Finance lease	-	-	10 971	-	-	10 971
Disposals	(1 471)	(70 763)	(172 326)	(870 030)	(3 490 785)	(4 605 375)
Liquidations	(1 441 138)	(98 178)	(13 290)	(58 024)	(319 426)	(1 930 057)
Leasing decrease	(5 983 658)	-	(51 228)	-	-	(6 034 886)
Depreciation	(19 994 440)	(24 762 879)	(4 167 179)	(25 441 633)	-	(74 366 132)
Carrying amount as at 31.12.2017	266 613 594	92 908 389	18 183 433	55 098 671	28 089 448	460 893 534

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PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017 (continued)

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
<i>As at 01.01.2016</i>						
Cost	414 153 266	192 645 758	82 530 507	219 566 289	15 600 063	924 495 883
Accumulated amortisation and impairment losses	(137 084 887)	(106 993 580)	(66 257 167)	(168 948 425)	-	(479 284 059)
Carrying amount	277 068 378	85 652 178	16 273 340	50 617 865	15 600 063	445 211 824
<i>As at 31.12.2017</i>						
Cost	423 692 921	224 664 848	88 607 779	240 180 839	37 397 338	1 014 543 724
Accumulated amortisation and impairment losses	(157 079 327)	(131 756 459)	(70 424 346)	(194 390 058)	-	(553 650 191)
Carrying amount	266 613 594	92 908 389	18 183 433	45 790 780	37 397 338	460 893 534

Property, plant and equipment under finance lease

The Company uses mainly vehicles, and forklift trucks under finance lease. In each of these cases, the Company has the right to buy the assets after the lapse of the agreed term of lease for the price stated in the respective agreement, or to continue using the leased property under a new lease contract signed with the financing institution. The buyout price is the difference between the value of the leased property in case of immediate payment and the principal value repaid in lease instalments. As at the end of the reporting period, the carrying value of tangible fixed assets under finance lease was PLN 3.904.574 (31.12.2016 r.: 11.051.481), and the amount payable to the lessor in this respect was PLN 2.993.775 (31.12.2016 r.: 10.393.813). The leased items remain the property of the lessor (the financing institution) until they are acquired by the Company. Those assets are depreciated for tax purposes by the lessor.

The contracts do not include any provisions that would impose any obligations upon the Company concerning dividends, additional debt, or additional lease contracts.

Performance of lease agreements is secured against the leased assets.

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NOTE 4. IMPAIRMENT TESTING OF ASSETS

For intangible assets with indefinite useful lives, the Company performed the following impairment tests:

- impairment test of the "Eurocash" trademark with a value of PLN 179,000,000 as at 31.12.2017,
- impairment test of the "abc" trademark with a value of PLN 110,000,000 as at 31.12.2017,

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

Valuation method, by fair value decreased by cost of sales, based on license fees consists in determining the present value of future economic benefits derived by an entity from holding the title to a trademark. This method is based on the assumption that benefits derived from a trademark are equal to costs which would have to be incurred by an entity with no rights to the trademark (if the trademark had been used under an arm's length license agreement). Fair value was qualified to the 3rd hierarchy level.

The market level of license fees is determined based on projection of sales of products carrying the trademark and determining the rate of license fee for using that trademark. The rate of license fee is determined based on the analysis of trademark lease agreements concluded on arm's length terms.

Tests were carried out based on financial projections for the years 2018-2022. To determine the values of selected projection ratios, historical data was used for year 2017 and plans approved by the Management Board of Eurocash S.A. for the years 2018-2022.

In order to determine the total level of sales, sales increases were predicted for the existing locations at the date of the test.

The weighted average cost of capital - WACC (from 8.22%) was adopted as a discount rate. For the purpose of calculating the cost of capital, 11 comparable companies from the trade sector were analyzed. Analyses confirmed that there was no necessity to recognize impairment loss.

As at 31.12.2017 the Company also conducted impairment tests with each of goodwill presented in the financial statements at a total value of PLN 862,819,840 and determined the recoverable amounts of the cash-generating units to which these goodwill are allocated.

The recoverable amount of individual cash-generating unit was compared with the carrying amount defined as the total assets of the cash generating unit, less current liabilities being part of working capital.

For impairment testing of goodwill, recoverable amount was determined as the value in use of the tested cash-generating unit, based on financial projections for the years 2018-2022. To determine the values of selected projection ratios, historical data for 2017 was used as well as plans approved by the Management Board of Eurocash S.A. for the years 2018-2022.

In order to determine the total sales value, sales increases were forecasted for stores existing on the date of testing, as well as the increase of the number of stores in each year of forecast.

The weighted average cost of capital (WACC) was used as the discount rate (depending on the goodwill and the related type of business it ranged from 7.87% to 11.95%). For the purpose of calculating the cost of capital, 11 comparable companies from the trade sector were analyzed.

Analyses confirmed that it was not necessary to recognize impairment loss.

In the Company's opinion, no rational change in the key assumptions used to measure the recoverable amount of individual cash-generating units will result in the balance sheet value of these centers being higher than their recoverable amount.

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NOTE 5. INVESTMENT PROPERTIES

TANGIBLE FIXED ASSETS AS AT 31 DECEMBER 2017

	as at 31.12.2017	as at 31.12.2016
Opening balance	988 495	1 004 191
Depreciation	(15 696)	(15 696)
Closing balance	972 799	988 495

NOTE 6. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are presented in the following table:

INVESTMENTS IN SUBSIDIARIES IN THE PERIOD FROM 01.01 TO 31.12.2017

	as at 31.12.2017	as at 31.12.2016
Opening balance	825 056 471	736 667 370
Increase in reporting period:	128 209 472	88 389 100
acquisition of entities	128 209 472	87 789 100
increase of share capital in subsidiaries	-	600 000
Closing balance	953 265 943	825 056 471

Increase in 2017 results mainly from acquisition of 100% shares in EKO Holding S.A. by Eurocash S.A.

NOTE 7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are presented below:

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2017

Name of entity	Registered office	Percentage in share capital (in%)	Voting rights (in%)
FRISCO S.A.	ul. Omulewska 27 04-128 Warszawa	44,03%	44,03%
Partnerski Serwis Detaliczny S.A.	ul. Grażyny 15 02-548 Warszawa	50,00%	50,00%

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INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2017

	as at 31.12.2017	as at 31.12.2016
Opening balance	38 375 300	34 529 802
Increase in reporting period:	2 211 457	3 845 498
Acquisition of shares in associates	2 211 457	3 845 498
Closing balance	40 586 757	38 375 300

In 2017 Eurocash S.A. acquired 488.601 new ordinary shares of Frisco S.A. for amount of PLN 2.211.457.

NOTE 8.

OTHER LONG-TERM FINANCIAL ASSETS

Other long-term financial assets are presented below:

OTHER LONG-TERM INVESTMENTS AS AT 31.12.2017

	as at 31.12.2017	as at 31.12.2016
Other long-term financial assets	-	58 723
Loans granted to subsidiaries	11 994 098	-
Loans granted to other entities	30 323 809	-
	42 293 906	58 723

The loan was granted on market terms, with a repayment period of more than twelve months.

NOTE 9.

LONG-TERM RECEIVABLES

Long-term receivables are presented below:

LONG-TERM RECEIVABLES AS AT 31.12.2017

	as at 31.12.2017	as at 31.12.2016
Security deposits on rental agreements	2 012 691	1 820 290
Other long-term receivables	-	71 202
	2 012 691	1 891 493

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**NOTE 10.
OTHER LONG-TERM PREPAYMENTS**

Other long-term prepayments are presented below:

OTHER LONG-TERM PREPAYMENTS AS AT 31.12.2017

	as at 31.12.2017	na dzień 31.12.2016
Rentals	775 204	314 820
Other	263 728	473 026
	1 038 932	787 846

**NOTE 11.
INVENTORIES**

Inventories are presented below:

INVENTORIES AS AT 31.12.2017

	as at 31.12.2017	as at 31.12.2016
Merchandise	888 494 722	798 772 326
Materials	193 584	226 223
Total inventories, including:	888 688 306	798 998 549
- carrying amount of inventory deposits securing payments of liabilities	90 000 000	90 000 000

ALLOWANCES FOR INVENTORIES IN THE PERIOD FROM 01.01 TO 31.12.2017

	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016
Opening balance	9 270 540	11 441 467
- increase in the allowance during the period *	1 917 573	-
- write-offs during the period *	-	(2 170 927)
Closing balance	11 188 113	9 270 540

* net value

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

NOTE 12. TRADE AND OTHER RECEIVABLES

Trade and other receivables are presented below:

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31.12.2017

	as at 31.12.2017	as at 31.12.2016
Trade receivables	1 258 480 286	1 310 850 709
Credit sales	749 513 589	791 924 046
Receivables from suppliers*	438 950 543	488 158 115
Factoring **	21 852 020	26 515 066
Franchise fees	3 834 879	3 996 407
Other trade receivables	85 697 608	46 403 144
Allowance for trade bad debts	(41 368 352)	(46 146 069)
Current tax assets	18 659 162	15 237 106
Other receivables	58 719 957	90 215 076
VAT settlements	14 046 336	19 845 754
Receivables subject to legal proceedings	59 586 967	52 280 153
Receivables from sales fixed assets	4 738 373	539 836
Receivables from employees	721 402	862 790
Advances for acquisition of shares	-	21 000 000
Receivables from insurance	982 448	999 424
Other receivables	35 034 379	42 868 399
Allowance for other bad debts	(56 389 948)	(48 181 280)
Total receivables, including:	1 335 859 405	1 416 302 891
- short-term	1 335 859 405	1 408 702 891

* These charges relate to transactions with suppliers, which, depending on the specifics of these transactions are recognized in the separate income statement as revenues from sales of services or reduces the value of goods sold

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

NOTE 13. OTHER SHORT-TERM FINANCIAL ASSETS

Short-term financial assets are presented below:

OTHER SHORT-TERM INVESTMENTS AS AT 31.12.2017

	as at 31.12.2017	as at 31.12.2016
Loans granted to a subsidiary	1 000 279	29 732 551
Loans granted to other entities	-	5 700 000
Shares in other entities	50 335 257	-
	51 335 537	35 432 551

Increasing the value of other short-term investments results from granting a loan to a company Cerville Investments Sp. z o.o. and the acquisition of shares in other entities which are classified as assets held for sale.

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NOTE 14.
SHORT-TERM PREPAYMENTS

Short-term prepayments are presented below:

SHORT-TERM PREPAYMENTS AS AT 31.12.2017

	as at 31.12.2017	as at 31.12.2016
Alcohol licences	4 278 310	11 299 278
Renting the commercial properties - compensation	2 665 581	3 745 562
Insurances	3 049 916	2 408 057
Rentals	5 188 791	2 027 003
Tolls	933 968	1 364 024
Other prepayments	13 472 351	14 830 573
Total short-term prepayments	29 588 917	35 674 496

NOTE 15.
CASH AND CASH EQUIVALENTS

Cash and cash equivalents are presented below:

CASH AND CASH EQUIVALENTS AS AT 31.12.2017

	as at 31.12.2017	as at 31.12.2016
Cash		
cash at bank	4 303 974	4 826 272
cash on hand	2 445 596	1 505 167
cash in transit	51 909 991	43 242 682
cash on deposits	57 023 513	43 369 471
cash restricted to use	-	75 528
other	-	5 000
Total cash	115 683 074	93 024 119

NOTE 16.
SHAREHOLDERS' EQUITY

Share capital

Share capital is presented below:

SHARE CAPITAL AS AT 31.12.2017

	as at 31.12.2017	as at 31.12.2016
Number of shares	139 163 286	139 096 361
Nominal value (PLN / share)	1	1
Share capital	139 163 286	139 096 361

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As at 31 December 2017, share capital consisted of 139,096,361 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:

SHAREHOLDING STRUCTURE

SHAREHOLDERS STRUCTURE

Shareholder	31.12.2017				31.12.2016			
	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes	Number of shares	Share in share capital (%)	Number of votes	Share in total number of votes
				(%)				(%)
Luis Amaral (directly and indirectly by Politra B.V.)	60 843 178	43,72%	60 843 178	43,72%	60 615 240	43,58%	60 615 240	43,58%
Management S.G.I.I.C. S.A.	7 498 451	5,39%	7 498 451	5,39%	n.d.	<5%	n.d.	<5%

The following changes occurred within the structure of share capital:

CHANGES IN SHARE CAPITAL IN THE PERIOD FROM 01.01 TO 31.12.2017

	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016
Share capital at the beginning of the period	139 096 361	138 829 311
Increase of share capital in the period	66 925	267 050
Equity settled share-based payment transactions	66 925	267 050
Share capital at the end of the period	139 163 286	139 096 361

In 2017, 66,925 ordinary shares were issued due to exercising share options granted to key personnel of the Company under incentive schemes (2016: 267,050 shares). These options were exercised at price PLN 38,00 per share. All shares issued were fully covered with cash.

Loss on valuation of hedging transactions

Loss on valuation of hedging instruments includes the effective part of accumulated net change in fair value of hedging instruments that secure cash flows associated with hedged transactions.

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

Dividend

On 25 April 2017, the financial result for 2016 in the amount of PLN 102.614.073 was divided through Resolution 5 of the Ordinary General Meeting of Shareholders of Eurocash S.A. as the parent.

The part of profit in the amount of PLN 101.589.198,78 was allocated to dividend, which was paid on 6 June 2017. The remaining part of net profit was allocated to supplementary capital of the Company.

NOTE 17. SHARE OPTIONS

Treasury shares options are presented below:

OPTIONS FOR SHARES IN THE PERIOD FROM 01.01 TO 31.12.2017

	Number of options	Weighted average performance prices (PLN/share)
Existing at the beginning of the reporting period	434 275	38,00
Granted in the reporting period	2 906 250	32,51
Exercised in the reporting period	(66 925)	38,00
Expired in the reporting period	(367 350)	38,00
Existing at the end of the reporting period	2 906 250	32,51
including:		
Exercisable at the end of the period	2 906 250	32,51

On April 25, 2017 by Resolutions of the Ordinary General Meeting of Eurocash S.A. a decision was made to issue shares as part of Employee Motivation and Bonus Programs for 2017-2019 (Programs XI - XVI).

Incentive programs were introduced in connection with the intention to continue incentive programs from previous years for managers, executives and persons who are fundamental to the activities of the Company and the Eurocash Group and to create the basis for enabling outstanding employees to take up shares in the Company as part of the bonus.

Incentive programs provide for issuance of up to 4,200,000 shares (approximately 3% of the current number of shares). The period of exercise of the options (subscription rights for convertible bonds) is 3-5 years. The issue price of shares in Incentive Programs will be equal to the average price of Eurocash shares on the Warsaw Stock Exchange on the day of quotations immediately preceding the resolution of the General Meeting on the establishment of these Programs.

The programs cover a total of 6 parts of 700,000 shares:

- 700,000 ordinary shares of the "XI Program" to be implemented in the period from April 1, 2020 to April 30, 2022,
- 700,000 ordinary shares of the "XII Program" to be implemented in the period from April 1, 2020 to April 30, 2022,
- 700,000 ordinary shares of the "XIII Program" to be implemented in the period from April 1, 2021 to April 30, 2023,
- 700,000 ordinary shares of the "XVI Program" to be implemented in the period from April 1, 2021 to April 30, 2023,
- 700,000 ordinary shares of the "XV Program" to be implemented in the period from April 1, 2022 to April 30, 2024,
- 700,000 ordinary shares of the "XVI Program" to be implemented in the period from April 1, 2022 to April 30, 2024,

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

In the year ended on 31.12.2017, options were exercised for 66,925 ordinary series M shares issued as part of the Eighth Incentive and Bonus Program for Employees for 2012, 2013 and 2014, with a value of PLN 38 each, which resulted in a total cash inflow of PLN 2,543,150.

In the year ended on 31.12.2016, options were exercised for 267,050 ordinary M series shares issued as part of the Eighth Incentive and Bonus Program for Employees for 2012, 2013 and 2014, with a value of PLN 38 each, which resulted in a total cash inflow of PLN 10,147,900.

The fair value of shares granted in the period from 01.01.2017 to 31.12.2017 amounts to PLN 3,920,000 and is recognized as an expense in the income statement for this period (in the year ended 31 December 2016, no share options were granted).

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

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

NOTE 18. PROVISIONS AND ACCRUALS

Provisions and accruals are presented below:

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01.2014 TO 31.12.2017

	Provision for employee benefits	Accrual for costs of transport	Accrual for advertising costs	Accruals for costs of media	Accruals for litigations	Accrual for rental costs	Other	Total
Provisions and accruals as at 01.01.2016	61 987 969	5 976 527	31 205 162	7 159 913	7 753 568	2 227 245	36 146 110	152 456 495
Increases*	14 608 182	368 625	-	652 935	2 887 282	2 214 500	8 797 378	29 528 901
Decreases*	(9 972 779)	-	(5 136 710)	-	-	-	-	(15 109 489)
Provisions and accruals as at 31.12.2016, including:	66 623 372	6 345 152	26 068 453	7 812 846	10 640 849	4 441 745	44 943 488	166 875 905
- short-term	63 733 693	6 345 152	26 068 453	7 812 846	10 640 849	4 441 745	44 943 488	163 986 226
- long-term	2 889 679	-	-	-	-	-	-	2 889 679
* net value, excluding employee benefits								
Provisions and accruals as at 01.01.2017	66 623 372	6 345 152	26 068 453	7 812 846	10 640 849	4 441 745	44 943 488	166 875 905
Increases*	6 135 398	1 193 220	5 232 091	-	-	918 718	11 082 155	24 561 581
Decreases*	(1 305 417)	-	-	(955 758)	(1 163 991)	-	-	(3 425 166)
Provisions and accruals as at 31.12.2017, including:	71 453 352	7 538 372	31 300 544	6 857 087	9 476 858	5 360 464	56 025 643	188 012 320
- short-term	68 730 494	7 538 372	31 300 544	6 857 087	9 476 858	5 360 464	56 025 643	185 289 462
- long-term	2 722 858	-	-	-	-	-	-	2 722 858
* net value, excluding employee benefits								

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

PROVISIONS AS AT 31.12.2017

	as at 31.12.2017	as at 31.12.2016
Provision for employee benefits	71 453 352	66 623 371
Accrual for advertising costs	31 300 544	26 068 453
Accruals for intrests	3 014 775	11 217 458
Accrual for costs of media	6 857 087	7 812 847
Accruals for litigations	9 476 858	10 640 849
Accrual for advisory and audit	3 868 890	2 528 711
Accrual for costs of transport	7 538 372	6 345 152
Accrual for rental costs	5 360 464	4 441 745
Alcohol licensing	948 798	3 060 575
Accrual for IT modernization	460 916	1 460 943
Accrual for bonus	10 039 045	7 815 848
Accrual for agent's commissions	-	90 707
Other provisions and accruals	37 693 220	18 769 246
	188 012 320	166 875 906
- long-term	2 722 858	2 889 679
- short-term	185 289 462	163 986 227

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 3,070,597 (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 3.5%, 2,28% wage increase. The amount of 2,722,858 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 2017.

Provision for interest

The provision applies to estimated costs associated with outstanding liabilities past due as at 31 December 2017.

The provision is expected to be realized within 12 months after 31 December 2017.

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NOTE 19. TRADE AND OTHER PAYABLES

Trade and other payables are presented below:

TRADE AND OTHER PAYABLES AS AT 31.12.2017

	as at 31.12.2017	as at 31.12.2016
Trade liabilities	3 061 015 686	2 750 359 676
Payables due to purchase of goods	2 956 173 482	2 674 131 499
Payables due to services received	104 842 203	76 228 178
Other payables	54 686 191	34 253 109
Liabilities due to purchased trade marks	4 292 712	-
Liabilities due to purchases of assets	10 107 982	2 619 198
Liabilities due to social securities	23 333 043	22 392 628
Liabilities due to taxes and insurances	10 288 029	4 919 260
Liabilities due to deposits	903 500	-
Other payables	5 760 924	4 322 022
Total liabilities, including:	3 115 701 876	2 784 612 786
- long-term	903 500	829 850
- short-term	3 114 798 376	2 783 782 936

Trade payables also include trade payables covered by the reverse factoring agreements, which do not substantially change the conditions of trade payables.

NOTE 20. LOANS AND BORROWINGS

Loans and borrowings are presented below:

LOANS AND BORROWINGS AS AT 31.12.2017

Credit destination		Liability amount	Interest rate	Costs for the period from 01.01.2017 to 31.12.2017
Bank 1	Loans as part of the Group under a cash pooling agreement	470 615 228	WIBOR + bank's margin	7 211 609
Bank 2	Loan for financing current activity	200 000 000	WIBOR + bank's margin	10 728 181
Bank 3	Loan for financing current activity	740 247	WIBOR + bank's margin	42 782
Bank 4	Loan for financing current activity	659 961	WIBOR + bank's margin	73 657
Bank 5	Loan for financing current activity	6 330 602	WIBOR + bank's margin	72 534
Bank 6	Loan for financing current activity	13 121 707	WIBOR + bank's margin	800 154
Total loans and credits		691 467 746		18 928 917
- short-term		691 467 746		

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On February 2, 2009, the entities from Eurocash Group signed a liquidity management agreement in the form of daily loans from Bank ("Cash Pool"). The aim is effectively managing the common financial liquidity within the accounts group.

Each of the Group companies has a separate current account. Eurocash S.A. acts as the management structure - operates two accounts:

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

The DOLMA System is based on the mechanism of zero balances. This operation is the last working day operation and involves a transfer of positive and negative balances of individual current accounts to the main account of liquidity on balance. At the beginning of each working day, this operation is reversed.

Interest on the balance on the main account of liquidity is calculated on the last day of each calendar month.

On 14 October 14, 2016, Eurocash Group companies signed a contract for the management of cash management system for the group of accounts with Bank ("Cash pool").

The goal is to increase the efficiency of short-term cash management and available loans.

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

The system is based on a zero balance mechanism. This is the last operation of the business day and consists in transferring positive and negative balances from individual current accounts to the pool leader account per balance. At the beginning of each subsequent business day, this operation is reversed

In addition, the Company has a line of credit to the amount of PLN 700 m in Bank syndicate. As at 31.12.2017, the limit was reached to the level PLN 200 m.

In accordance to the credit agreements, the Company is obliged to maintain certain financial ratios at a defined level and to engage in business activities within the framework prescribed in the agreements. What is more, according to the credit agreements, the Company issued certain collaterals, details of which are presented in Note 33.

NOTE 21.

OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented below:

FINANCIAL LIABILITIES AS AT 31.12.2017

	as at 31.12.2017	as at 31.12.2016
Liabilities arising from the issue of bonds	219 533 443	161 000 000
Finance lease liabilities	2 993 775	10 393 813
Liabilities related to financing of franchisees*	21 852 020	26 515 066
Liabilities due to security instruments	2 270 095	2 056 426
	246 649 332	199 965 305
- long-term	693 162	149 308 867
- short-term	245 956 170	50 656 437

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

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On 20 June 2013 Eurocash issued bonds with a total nominal value of PLN 140m under the bonds program to the amount of PLN 500m. Interest on the bonds is determined by WIBOR for six-month deposits and the bank's. Repurchase date is 20 June 2018.

The bonds are secured by guarantees given by subsidiaries to the amount of PLN 168m. Liabilities from issued bonds are presented in the financial statements of the Company under short-term financial liabilities.

In addition, as at 31 December 2017, Eurocash held coupon short-term bonds with a total nominal value of PLN 80.00 million issued in 2017 under the short-term bond issue program dated on October 20, 2015. This program also provides for the possibility to issue up to a total amount of PLN 500 million. During the four quarters of 2017, Eurocash purchased short-term bonds with a total nominal value of PLN 217.8 million issued in 2016 and 2017, respectively. Liabilities under issued bonds in this program are presented in the financial statements of the Company in the item Short-term financial liabilities.

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FINANCE LEASES

FINANCE LEASE AS AT 31.12.2017

	as at 31.12.2017 minimum lease payments	as at 31.12.2017 present value of minimum lease payments	as at 31.12.2016 minimum lease payments	as at 31.12.2016 present value of minimum lease payments
<i>Future minimum lease payments due to operating lease agreements</i>				
Less than one year	2 434 381	2 368 542	2 140 957	1 955 478
Between one and five years	659 551	625 233	8 512 835	8 413 221
More than five years	-	-	25 658	25 115
Total future minimum lease payments due to finance lease agreements	3 093 932	2 993 775	10 679 450	10 393 813
Finance costs	100 157	X	285 637	X
Present value of minimum lease payments due to finance lease agreements	2 993 775	2 993 775	10 393 813	10 393 813

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OPERATING LEASES

The Company recognized operating lease contracts concerning lease or rental of premises, vehicles and other under which leased assets can be used by the lessee in exchange for a charge or a series of charges and no transfer of risk or benefits arising from ownership of the asset is made.

The contracts relate to lease and rental of space for the purpose of commercial activities such as sales of groceries, cigarettes, alcohol, household chemicals and non-food merchandise. The company signed the contracts relating to the use of storage space for logistics and transportation purposes, as well as office space for administrative activities of headquarters' employees. Moreover, the Company recognized an operating lease contract related to the lease of vehicles used by the lessee in its current operations.

For contracts relating to trading space, the price is defined per 1 square meter. Prices are adjusted on the basis of the annual rate of inflation published by the Central Statistical Office, fluctuations in property tax charges, fluctuations of perpetual usufruct charges, and fluctuations of local charges applicable to leased/rented properties. The final amount payable is a product of the number of square meters of the given space multiplied by the price per square meter.

The term and termination conditions stated in certain contracts read that unless either Party notifies the other Party of the contract of its decision not to extend the contract during the 12 months period preceding the date of the contract termination, the contract will be automatically extended for the following period (same as in the original contract).

A specification of minimum operating lease charges is presented below:

LIABILITIES UNDER OPERATING LEASE AGREEMENTS AS AT 31.12.2017

	as at 31.12.2017	as at 31.12.2016
<i>Future minimum fees due to operating lease agreements paid in the period:</i>		
Less than one year	128 550 028	116 616 312
Between one and five years	420 117 528	318 414 796
More than five years	431 687 625	403 652 450
Total future minimum fees due to operating lease agreements	980 355 182	838 683 558

Operating lease payments for 2017 amounted to PLN 168.840.720 (2016: PLN 164.509.381).

Changes in the operational leasing resulting from the implementation of IFRS 16 "Leases" are included in Pt 1.3 of the Additional Information to the separate financial statements for the period from 01.01. until 31.12.2017.

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NOTE 22. INCOME TAX

Income tax for the reporting period is presented below:

INCOME TAX FOR THE PERIOD FROM 01.01 TO 31.12.2017 (main components)

	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016
<i>Profit and loss account</i>		
Current income tax	-	(12 946 659)
Deferred income tax	(41 967 643)	(9 449 462)
Total income tax	(41 967 643)	(22 396 121)

TAX RECONCILIATION FOR THE PERIOD FROM 01.01 TO 31.12.2017 (main components)

	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016
Profit before tax	(29 745 445)	125 010 194
Income tax calculated base on 19% income tax rate	5 651 635	(23 751 937)
Other permanent tax differences	(6 263 488)	-
Influence of VAT paid for securing tax liabilities - permanent difference	(20 680 363)	-
Write-down of deferred tax assets	(23 292 531)	-
The tax impact of dividends received from Group companies	4 994 661	4 311 893
Other differences	(2 377 557)	(2 956 077)
Income tax in the profit and loss account	(41 967 643)	(22 396 121)
Effective tax rate	141,09%	17,92%

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 Company carried out transactions and participated in restructuring processes, which may be the subject of analysis and control of tax authorities.

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

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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 Company 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 Company discloses these settlements while accounting for uncertainty assessment.

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

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

On 28 September 2017, the Head of the Customs and Revenue Office for Wielkopolska Region in Poznań issued a decision to Eurocash S.A., in which he stated in the case above that the Company had an understatement of tax liability for 2011 of PLN 8 million. On the basis of an external legal expert analysis, on 17 October 2017, the Company appealed against this decision. It mentions a number of arguments for the correctness of the tax settlements made by the Company, including confirmation of the correctness of the settlements through the positive interpretations of tax law. As a result, as at 31 December 2017, the Management Board of the Company has no confirmation for creating of any provisions due to these interpretations.

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NOTE 23. DEFERRED TAX

Deferred tax is presented below:

DEFERRED TAX IN THE PERIOD FROM 01.01 TO 31.12.2017

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at 31.12.2017	as at 31.12.2016 * restated	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016
<i>Deferred tax liabilities</i>						
- difference between tax and carrying amount of fixed assets	103 097 901	88 266 792	14 831 110	14 256 011	-	-
- not invoiced income	57 393 178	40 412 369	16 980 810	11 117 792	-	-
- revenues from accrued interests	1 041 399	884 981	156 418	163 352	-	-
- other	506 460	293 657	212 804	(151 739)	-	-
Gross deferred tax liability	162 038 939	129 857 798	32 181 141	25 385 416	-	-

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

DEFERRED TAX IN THE PERIOD FROM 01.01 TO 31.12.2017 (continued)

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at 31.12.2017	as at 31.12.2016 * restated	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016
<i>Deferred tax liabilities</i>						
- bonuses	9 049 284	14 189 183	5 139 900	(7 723 619)	-	-
- allowance of inventories	2 125 741	1 761 403	(364 339)	412 476	-	-
- allowance for bad debts	15 092 661	14 809 581	(283 080)	(2 026 536)	-	-
- allowance for loss on investments	-	22 345 156	22 345 156	-	-	-
- current tax loss and loss from previous years	15 396 093	1 816 543	(13 579 550)	(1 816 543)	-	-
- accruals	8 536 184	9 152 795	616 611	(441 417)	-	-
- unpaid payroll and social securities	2 096 186	2 140 018	43 832	(201 508)	-	-
- accruals	9 218 408	7 506 033	(1 712 374)	1 068 672	-	-
- hedging instruments	431 318	390 721	-	-	(40 597)	1 016 518
- other differences	17 095 452	14 728 989	(2 419 652)	(5 207 479)	-	-
- deferred tax assets	79 041 327	88 840 422	9 786 502	(15 935 955)	(40 597)	1 016 518
Allowance of deferred tax assets	-	-	-	-	-	-
- deferred tax assets	79 041 327	88 840 422	9 786 502	(15 935 955)	(40 597)	1 016 518
Deferred income tax effect			41 967 643	9 449 462	(40 597)	1 016 518
Net deferred tax liability	82 997 612	41 017 376	X	X	X	X

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 24.
SALES IN THE REPORTING PERIOD

Sales revenues are presented below:

SALE IN THE PERIOD FROM 01.01 TO 31.12.2017

	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016
Sale of goods	13 864 239 157	13 216 626 476
Sale of services	994 928 712	1 008 566 413
Total sale	14 859 167 869	14 225 192 888

NOTE 25.
COSTS BY TYPE

Costs by type are presented below:

COSTS BY TYPE IN THE PERIOD FROM 01.01 TO 31.12.2017

	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016
Depretiation	114 132 123	111 494 591
Materials and energy	98 339 244	92 007 857
External services	534 858 088	511 697 022
Taxes and charges	29 335 389	28 882 975
Payroll	550 975 611	504 694 969
Social security and other benefits	106 075 345	100 532 779
Other costs by type	25 914 485	27 591 290
Costs by type	1 459 630 285	1 376 901 482
including:		
Selling expenses	1 201 890 746	1 131 751 710
General and administrative expenses	257 739 539	245 149 772

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 26.

OTHER OPERATING INCOMES AND EXPENSES

Other operating incomes and expenses are presented below:

OTHER OPERATING INCOME AND EXPENSES THE PERIOD FROM 01.01 TO 31.12.2017

	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016
Other operating income	42 278 532	41 903 765
Penalties for suppliers	13 577 254	8 151 264
Other sales	5 780 854	3 779 753
Sub-lease of premises	5 562 839	6 950 335
Revenues from transport services	87 976	310 561
Compensation received	711 200	1 086 928
Penalties received	3 000 000	-
Cases in court	1 451 649	-
Donations received	-	127 476
Spisanie zobowiązań	-	10 200 000
Other (irrelevant individually)	12 106 761	11 297 448
Irrelevant items	(149 021 257)	(35 003 509)
Allowance for bad debts	(3 428 117)	(13 425 294)
Losses from disposals of property, plant and equipment	(613 750)	(817 254)
Commission from payment cards	(2 068 797)	-
Litigations	-	(4 446 450)
Paid penalties	(1 106 879)	(1 394 166)
Donations	-	(1 111 932)
Redemption of the loan	(11 099 573)	-
Security for VAT liabilities*	(114 400 861)	-
Other (irrelevant individually)	(16 303 281)	(13 808 413)
Net other operating expenses	(106 742 725)	6 900 256

*pt 3

NOTE 27.

FINANCE INCOMES AND COSTS

Finance incomes and costs are presented below:

FINANCIAL REVENUES AND COSTS IN THE PERIOD FROM 01.01 TO 31.12.2017

	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016
Financial income	53 756 600	49 638 176
Dividends	26 287 691	22 694 173
Revenues from the sale of short-term investments	5 248 005	-
Revenues from discounts	7 752 148	5 537 635
Interest	3 674 666	9 986 577
Foreing exchange gains	509 939	-
Other financial income (irrelevant individually)	10 284 150	11 419 791
Financial expenses	(61 492 391)	(59 605 254)
Interest	(47 713 008)	(54 029 764)
Commissions and bank charges	(3 909 025)	(3 786 758)
Foreing exchange losses	-	(791 468)
Other financial expenses (irrelevant individually)	(9 870 358)	(997 264)
Net financial expenses	(7 735 791)	(9 967 078)

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 28.
EARNINGS (LOSS) PER SHARE

Earnings (LOSS) per share are presented below:

EARNINGS/ (LOSS) PER SHARE FOR THE PERIOD FROM 01.01 TO 31.12.2017

	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016
<i>Earnings</i>		
Profit/ (loss) for the period attributable to the Parent's shareholders	(71 713 088)	102 614 073
<i>Number of issued shares</i>		
Weighted average number of shares	139 158 564	139 023 791
Dilution effect of potential number of shares:		
Convertible bonds	-	97 197
Weighted average number of shares (to calculate diluted earnings per share)	139 158 564	139 120 988
Earnings (loss) per share		
- basic	(0,52)	0,74
- diluted	(0,52)	0,74

Calculation of weighted average number of shares

The weighted average number of shares determined in order to calculate the value of basic earnings per share is calculated as the weighted average number of ordinary shares outstanding during the reporting period.

Calculation of weighted average diluted number of shares

The weighted average number of shares determined to calculate the value of diluted earnings per share includes issued bonds convertible to shares and is calculated as the total of the weighted average number of ordinary shares plus a potential free of charge issue of ordinary shares.

The free of charge issue of ordinary shares means the difference between the number of ordinary shares which would be issued at the time of conversion of all diluting bonds convertible to ordinary shares and the number of ordinary shares which would be issued at average market value of ordinary shares during the period.

For the purpose of calculating diluted earnings per share, the weighted average number of shares was not adjusted for conversion of convertible bonds conducted during the periods following the end date of the reporting period on a non-arm's length basis.

Description of factors which dilute the number of shares

Earnings per share are diluted as a consequence of implementation of share option schemes discussed in Note 17.

<i>Separate financial statements of EUROCASH S.A.</i>			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 29. TRANSACTIONS WITH SUBSIDIARIES

No significant non-arm's length transactions with subsidiaries were closed in 2017.

No allowances for receivables from related parties were recognized in 2017 by the Company.

Trade receivables	31.12.2017	31.12.2016
Ledi Sp. z o.o.	38 674 035	-
Eurocash Serwis Sp. z o.o.	32 772 139	51 949 525
Firma Rogala Sp. z o.o.	16 055 703	12 392 333
Eurocash Detal Sp. z o.o.	10 371 890	13 623 717
FHC-2 Sp. z o.o.	9 640 469	10 789 075
Eurocash Franczyza Sp. z o.o.	9 234 083	6 762 005
Polska Dystrybucja Alkoholi Sp. z o.o.	8 444 174	1 980 000
Eurocash Trade 1 Sp. z o.o.	5 089 709	4 803 675
Duży Ben Sp. z o.o.	2 282 113	910 626
Madas Sp. z o.o.	1 414 967	1 522 735
Euro Sklep S.A.	1 315 844	779 412
Eurocash Convenience Sp. z o.o.	977 188	807 128
Cerville Investments Sp. z o.o.	973 505	-
Lewiatan Śląsk Sp. z o.o.	806 244	85 443
EKO Holding S.A.	641 150	-
ABC na kołach Sp. z o.o.	588 453	219 159
Lewiatan Holding S.A.	571 099	1 372 387
JIM Sp. z o.o.	377 128	-
DEF Sp. z o.o.	283 256	140 031
Detal Podlasie Sp. z o.o.	245 303	222 786
Kontigo Sp. z o.o.	236 186	81 010
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	234 995	62 011
PayUp Polska S.A.	222 639	139 604
Lewiatan Kujawy Sp. z o.o.	213 250	92 797
Sushi To Go Sp. z o.o. Sp. k.	169 382	-
Inmedio Sp. z o.o.	166 044	122 288
Lewiatan Wielkopolska Sp. z o.o.	139 965	86 008
Ambra Sp. z o.o.	137 998	144 559
Detal Finanse Sp. z o.o.	114 943	-
Lewiatan Północ Sp. z o.o.	106 329	53 533
Lewiatan Podlasie Sp. z o.o.	84 754	60 031
Lewiatan Zachód Sp. z o.o.	59 076	68 623
Lewiatan Opole Sp. z o.o.	53 755	74 992
4vapers Sp. z o.o.	44 204	4 013
EC VC7 Sp. z o.o.	40 274	-
Lewiatan Orbita Sp. z o.o.	35 234	32 358
Lewiatan Podkarpacie Sp. z o.o.	12 041	25 716
Premium Distributors Sp. z o.o.	6 065	-
Eurocash VC2 Sp. z o.o. w likwidacji	3 919	3 263
Eurocash VC3 Sp. z o.o.	2 952	1 968
Eurocash Trade 2 Sp. z o.o.	535	1 341
Total	142 842 993	109 414 153

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Other receivables	31.12.2017	31.12.2016
Eurocash Franczyza Sp. z o.o.	995 952	579 876
Euro Sklep S.A.	945 028	458 326
Lewiatan Holding S.A.	725 142	304 717
Eurocash Serwis Sp. z o.o.	570 654	543 535
Duży Ben Sp. z o.o.	239 348	12 968
DEF Sp. z o.o.	72 511	27 526
Kontigo Sp. z o.o.	62 061	34 735
Lewiatan Podlasie Sp. z o.o.	35 973	7 910
PayUp Polska S.A.	25 704	2 083
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	7 654	10 636
Ambra Sp. z o.o.	7 238	1 564
Lewiatan Wielkopolska Sp. z o.o.	4 376	34 210
Lewiatan Kujawy Sp. z o.o.	3 785	76 314
Lewiatan Opole Sp. z o.o.	3 754	10 680
Lewiatan Północ Sp. z o.o.	2 909	27 383
Eurocash Trade 1 Sp. z o.o.	2 583	-
4vapers Sp. z o.o.	2 461	-
Eurocash Detal Sp. z o.o.	2 396	876
Premium Distributors Sp. z o.o.	1 885	12 459
Lewiatan Orbita Sp. z o.o.	1 510	28 590
Lewiatan Śląsk Sp. z o.o.	1 062	55 988
EKO Holding S.A.	544	-
Eurocash Convenience Sp. z o.o.	-	402
ABC na kołach Sp. z o.o.	-	24 467
Lewiatan Podkarpacie Sp. z o.o.	-	19 958
Lewiatan Zachód Sp. z o.o.	-	9 435
Total	3 714 530	2 284 634

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Trade payables	31.12.2017	31.12.2016
Lewiatan Holding S.A.	25 496 969	21 910 817
Eurocash Serwis Sp. z o.o.	9 519 562	6 642 676
Eurocash Franczyza Sp. z o.o.	8 686 680	10 712 668
Lewiatan Śląsk Sp. z o.o.	1 821 271	894 244
Eurocash Trade 1 Sp. z o.o.	1 555 779	1 555 779
Euro Sklep S.A.	1 338 102	2 143 199
EKO Holding S.A.	1 196 385	-
Polska Dystrybucja Alkoholi Sp. z o.o.	1 052 462	-
Lewiatan Kujawy Sp. z o.o.	904 402	816 100
Lewiatan Zachód Sp. z o.o.	772 010	257 779
Lewiatan Podlasie Sp. z o.o.	631 145	594 354
Lewiatan Wielkopolska Sp. z o.o.	599 979	537 283
Lewiatan Opole Sp. z o.o.	470 080	372 988
Lewiatan Północ Sp. z o.o.	468 686	425 294
Lewiatan Orbita Sp. z o.o.	301 686	314 449
Lewiatan Podkarpacie Sp. z o.o.	162 983	122 280
Premium Distributors Sp. z o.o.	69 785	134 430
Eurocash Detal Sp. z o.o.	56 132	55 001
Firma Rogala Sp. z o.o.	37 174	229 809
Eurocash Convenience Sp. z o.o.	33 223	42 885
PayUp Polska S.A.	30 126	23 361
FHC-2 Sp. z o.o.	26 505	-
DEF Sp. z o.o.	7 482	-
Duży Ben Sp. z o.o.	2 482	5 000
Eurocash S.A.	1 225	-
Kontigo Sp. z o.o.	547	9 258
Inmedio Sp. z o.o.	380	-
ABC na kołach Sp. z o.o.	279	133
Total	55 243 520	47 799 785

Receivables from loans granted	31.12.2017	31.12.2016
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	11 982 098	302 535
Cerville Investments Sp. z o.o.	1 000 279	-
Polska Dystrybucja Alkoholi Sp. z o.o.	-	18 633 216
Eurocash Trade 1 Sp. z o.o.	-	11 099 335
Total	12 982 377	30 035 086

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Other payables	31.12.2017	31.12.2016
Ledi Sp. z o.o.	5 673 887	-
Eurocash VC2 Sp. z o.o. w likwidacji	4 315 396	20 619
Firma Rogala Sp. z o.o.	1 153 983	694 102
Eurocash Franczyza Sp. z o.o.	699 089	503 960
FHC-2 Sp. z o.o.	415 266	-
Eurocash Serwis Sp. z o.o.	411 540	488 713
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	165 929	143 165
Premium Distributors Sp. z o.o.	163 788	80 321
Lewiatan Podlasie Sp. z o.o.	128 751	-
JIM Sp. z o.o.	98 577	-
Eurocash Detal Sp. z o.o.	97 409	6 721
Lewiatan Kujawy Sp. z o.o.	76 849	-
DEF Sp. z o.o.	42 227	20 619
Polska Dystrybucja Alkoholi Sp. z o.o.	26 951	-
Lewiatan Północ Sp. z o.o.	23 192	-
Lewiatan Wielkopolska Sp. z o.o.	22 763	-
Ambra Sp. z o.o.	22 684	20 619
Madas Sp. z o.o.	22 437	-
Lewiatan Zachód Sp. z o.o.	13 849	-
Lewiatan Opole Sp. z o.o.	10 577	-
Euro Sklep S.A.	8 736	915
Lewiatan Śląsk Sp. z o.o.	8 528	-
Lewiatan Podkarpacie Sp. z o.o.	4 914	-
Lewiatan Orbita Sp. z o.o.	4 033	-
Eurocash Trade 1 Sp. z o.o.	2 946	2 946
Total	13 614 301	1 982 700

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Sales of goods	01.01-31.12.2017	01.01-31.12.2016
Eurocash Serwis Sp. z o.o.	340 359 004	336 712 243
Firma Rogala Sp. z o.o.	239 120 890	186 464 783
Ledi Sp. z o.o.	176 555 146	-
FHC-2 Sp. z o.o.	139 089 210	-
Madas Sp. z o.o.	20 535 654	-
Eurocash Detal Sp. z o.o.	14 266 503	11 762 030
Polska Dystrybucja Alkoholi Sp. z o.o.	8 246 186	-
Duży Ben Sp. z o.o.	6 157 964	1 238 159
EKO Holding S.A.	5 286 076	-
Eurocash Convenience Sp. z o.o.	4 468 228	5 413 400
Detal Podlasie Sp. z o.o.	3 993 869	4 518 435
JIM Sp. z o.o.	2 625 366	-
ABC na kołach Sp. z o.o.	1 927 590	824 622
Eurocash Franczyza Sp. z o.o.	717 018	1 079 526
DEF Sp. z o.o.	615 752	793 715
Inmedio Sp. z o.o.	373 540	4 815 700
Ambra Sp. z o.o.	135 335	101 658
Kontigo Sp. z o.o.	36 596	76 516
Lewiatan Opole Sp. z o.o.	27 365	29 923
Lewiatan Podlasie Sp. z o.o.	22 914	18 465
Lewiatan Śląsk Sp. z o.o.	15 471	6 901
Lewiatan Orbita Sp. z o.o.	10 921	11 862
Lewiatan Wielkopolska Sp. z o.o.	10 167	825
Lewiatan Północ Sp. z o.o.	9 317	5 306
Lewiatan Kujawy Sp. z o.o.	5 649	1 498
Lewiatan Zachód Sp. z o.o.	2 527	2 000
Euro Sklep S.A.	750	-
Lewiatan Holding S.A.	-	279
4vapers Sp. z o.o.	-	241
Total	964 615 007	553 878 089

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Sales of services	01.01-31.12.2017	01.01-31.12.2016
Eurocash Franczyza Sp. z o.o.	30 069 245	27 916 537
Eurocash Serwis Sp. z o.o.	9 933 526	10 083 751
Lewiatan Holding S.A.	6 578 610	7 785 633
Euro Sklep S.A.	5 596 310	5 931 229
Lewiatan Śląsk Sp. z o.o.	942 692	697 342
Lewiatan Kujawy Sp. z o.o.	894 678	1 170 086
Polska Dystrybucja Alkoholi Sp. z o.o.	635 746	-
Lewiatan Podlasie Sp. z o.o.	488 793	462 903
DEF Sp. z o.o.	455 409	482 293
Kontigo Sp. z o.o.	419 775	277 297
Duży Ben Sp. z o.o.	406 478	270 666
Eurocash Convenience Sp. z o.o.	387 917	538 143
PayUp Polska S.A.	380 206	320 617
Lewiatan Północ Sp. z o.o.	338 789	400 674
Lewiatan Wielkopolska Sp. z o.o.	326 182	196 556
Lewiatan Zachód Sp. z o.o.	246 173	245 017
Lewiatan Opole Sp. z o.o.	199 713	383 331
EKO Holding S.A.	174 307	-
Ambra Sp. z o.o.	171 331	235 105
Sushi To Go Sp. z o.o. Sp. k.	146 966	-
ABC na kołach Sp. z o.o.	116 098	3 886
FHC-2 Sp. z o.o.	112 971	-
4vapers Sp. z o.o.	102 775	-
Detal Finanse Sp. z o.o.	85 995	-
Lewiatan Orbita Sp. z o.o.	83 190	163 227
Lewiatan Podkarpacie Sp. z o.o.	71 276	61 183
Firma Rogala Sp. z o.o.	54 000	34 538
Inmedio Sp. z o.o.	42 265	24 858
Premium Distributors Sp. z o.o.	31 987	-
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	18 394	18 394
Eurocash Detal Sp. z o.o.	17 372	17 372
Eurocash VC2 Sp. z o.o. w likwidacji	11 340	11 340
Eurocash VC3 Sp. z o.o.	9 600	9 600
Ledi Sp. z o.o.	3 652	-
JIM Sp. z o.o.	3 043	-
Eurocash Trade 1 Sp. z o.o.	1 740	1 740
Eurocash Trade 2 Sp. z o.o.	1 740	6 540
Madas Sp. z o.o.	482	-
Detal Podlasie Sp. z o.o.	-	24 994
Total	59 560 766	57 774 853

Interest revenues	01.01-31.12.2017	01.01-31.12.2016
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	285 913	-
Polska Dystrybucja Alkoholi Sp. z o.o.	225 293	-
EKO Holding S.A.	180 022	-
EC VC7 Sp. z o.o.	4 853	-
Ambra Sp. z o.o.	1 024	-
Cerville Investments Sp. z o.o.	279	-
Eurocash VC3 Sp. z o.o.	-	1 930 554
Eurocash Franczyza Sp. z o.o.	-	1 782 876
Eurocash Trade 1 Sp. z o.o.	-	256 198
Firma Rogala Sp. z o.o.	-	16 037
Eurocash Convenience Sp. z o.o.	-	3 642
Lewiatan Podkarpacie Sp. z o.o.	-	1 204
Total	697 385	3 990 511

Separate financial statements of EUROCASH S.A.			
Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

Dividends	01.01-31.12.2017	01.01-31.12.2016
Eurocash Serwis Sp. z o.o.	23 576 593	21 929 926
Firma Rogala Sp. z o.o.	1 829 088	-
Total	25 405 680	21 929 926

Other income	01.01-31.12.2017	01.01-31.12.2016
Eurocash Serwis Sp. z o.o.	189 025	185 633
Ambra Sp. z o.o.	1 565	-
PayUp Polska S.A.	1 478	1 514
Eurocash Detal Sp. z o.o.	290	386
Total	192 357	187 533

Costs of goods sold	01.01-31.12.2017	01.01-31.12.2016
Lewiatan Holding S.A.	239 660 959	203 536 831
Eurocash Serwis Sp. z o.o.	66 876 361	71 697 221
DEF Sp. z o.o.	153 152	57 629
Premium Distributors Sp. z o.o.	117 653	171 911
PayUp Polska S.A.	-	3 982
Total	306 808 125	275 467 573

Costs of services	01.01-31.12.2017	01.01-31.12.2016
Eurocash Serwis Sp. z o.o.	82 921 844	69 613 736
Eurocash Franczyza Sp. z o.o.	52 915 382	43 331 953
Firma Rogala Sp. z o.o.	12 828 056	7 733 725
FHC-2 Sp. z o.o.	6 764 747	-
Ledi Sp. z o.o.	6 256 130	-
Euro Sklep S.A.	4 272 832	4 083 484
Lewiatan Śląsk Sp. z o.o.	3 931 811	3 251 530
Lewiatan Kujawy Sp. z o.o.	3 507 150	3 327 359
Lewiatan Podlasie Sp. z o.o.	3 033 153	2 593 560
Lewiatan Północ Sp. z o.o.	2 250 200	1 851 048
Lewiatan Wielkopolska Sp. z o.o.	2 215 842	2 010 578
Lewiatan Opole Sp. z o.o.	1 823 315	1 399 534
Lewiatan Zachód Sp. z o.o.	1 201 653	1 030 464
Lewiatan Orbita Sp. z o.o.	1 149 578	883 944
Madas Sp. z o.o.	848 466	-
Lewiatan Holding S.A.	793 349	775 825
Eurocash Detal Sp. z o.o.	632 160	330 625
Lewiatan Podkarpacie Sp. z o.o.	539 263	467 332
JIM Sp. z o.o.	110 880	-
Premium Distributors Sp. z o.o.	103 470	110 338
DEF Sp. z o.o.	71 360	219 680
Ambra Sp. z o.o.	40 516	39 360
EKO Holding S.A.	33 742	-
Polska Dystrybucja Alkoholi Sp. z o.o.	30 525	-
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	22 684	20 619
Eurocash VC2 Sp. z o.o. w likwidacji	22 684	20 619
Inmedio Sp. z o.o.	443	38 380
Total	188 321 235	143 133 691

Interest costs	01.01-31.12.2017	01.01-31.12.2016
Eurocash Group (cashpool)	7 211 609	10 727 797
Eurocash VC2 Sp. z o.o.	-	419 833
Total	7 211 609	11 147 630

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

NOTE 30.

REMUNERATION AND OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Members of the Management Board and the Supervisory Board are considered as key management personnel. The table below presents information of total remuneration, bonuses, rewards and other benefits paid or payable to the Members of the Management Board and the Supervisory Board during the period from 1 January 2017 to 31 December 2017.

There were no other transactions noted during the reporting period which would involve Members of the Management Board and the Supervisory Board.

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD IN THE PERIOD FROM 01.01 TO 31.12.2017

	Basic salary	Other benefits	Management options	Total
<i>Remuneration of the Members of the Management Board</i>				
Luis Amaral	480 000	17 437	-	497 437
Rui Amaral	1 560 000	1 109 857	-	2 669 857
Arnaldo Guerreiro	1 020 000	385 957	-	1 405 957
Pedro Martinho	1 200 000	29 402	-	1 229 402
Katarzyna Kopaczewska	795 000	353 437	-	1 148 437
Jacek Owczarek	1 042 105	406 957	-	1 449 062
Przemysław Ciaś	747 000	279 916	-	1 026 916
	6 844 105	2 582 964	-	9 427 069

Remuneration of the Members of the Supervisory Board

Joao Borges de Assuncao	212 305	-	-	212 305
Eduardo Aguinaga de Moraes	212 305	-	-	212 305
Francisco José Valente Hipólito dos Santos	212 305	-	-	212 305
Hans Joachim Körber	212 305	-	-	212 305
Jacek Szwajcowski	212 305	-	-	212 305
	1 061 525	-	-	1 061 525

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD IN THE PERIOD FROM 01.01 TO 31.12.2016

	Basic salary	Other benefits	Management options	Total
<i>Remuneration of the Members of the Management Board</i>				
Luis Amaral	480 000	255 301	-	735 301
Rui Amaral	1 320 000	18 833	-	1 338 833
Arnaldo Guerreiro	1 020 000	30 478	-	1 050 478
Pedro Martinho	1 200 000	30 793	-	1 230 793
Katarzyna Kopaczewska	960 000	22 027	-	982 027
Jacek Owczarek	1 000 000	30 478	-	1 030 478
David Boner	2 040 000	62 422	-	2 102 422
	8 020 000	450 332	-	8 470 332

Remuneration of the Members of the Supervisory Board

Joao Borges de Assuncao	207 971	-	-	207 971
Eduardo Aguinaga de Moraes	192 355	-	-	192 355
Francisco José Valente Hipólito dos Santos	192 355	-	-	192 355
Hans Joachim Körber	192 355	-	-	192 355
Jacek Szwajcowski	182 201	-	-	182 201
	967 237	-	-	967 237

<i>Separate financial statements of EUROCASH S.A.</i>			
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Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 31. EMPLOYMENT

The number of employees as at 31.12.2017 is presented below:

NUMBER OF EMPLOYEES AS AT 31.12.2017

	as at 31.12.2017	as at 31.12.2016
Number of employees	9 040	9 366
Number of full-time jobs	8 964	9 284

The employment structure as at 31.12.2017 is presented below:

STRUCTURE OF EMPLOYMENT AS AT 31.12.2017

	Wholesale discounts and distribution centres	Head office	Total
Number of employees	7 544	1 496	9 040
Number of full-time jobs	7 476	1 488	8 964

Employee turnover data as at 31.12.2017 are presented below:

EMPLOYEE TURNOVER IN THE PERIOD FROM 01.01 TO 31.12.2017

	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016
Number of hired employees	2 697	3 195
Number of dismissed employees	(3 023)	(3 173)
	(326)	22

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

NOTE 32.

DATA CONCERNING ITEMS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

CONTINGENCIES AS AT 31.12.2017

No.	Beneficiary	Title	Currency	as at 31.12.2017	as at 31.12.2016
1	Bank 1 **	Surety for the Eurocash Group companies regarding the cash pool agreement in the amount of the credit limit	PLN	2 279 500 000	2 290 500 000
2	Company 1 **	Surety for liabilities of PayUp Polska S.A.	PLN *	2 085 450	2 212 000
3	Bank 2 **	Surety for trade liabilities of Eurocash Serwis Sp. z o.o. and Eurocash Trade 1 Sp. z o.o. resulting from the Factoring Agreement	PLN	480 000 000	400 000 000
4	Bank 3***	Surety for liabilities resulting from the "Franchise Partners Financing Program" for the Franchisee of Delikatesy Centrum	PLN	7 653 291	12 280 125
5	Bank 4 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Lease Agreement	PLN	3 417 792	3 007 042
6	Bank 5 **	Surety for liabilities of Eurocash Detal Sp. z o.o. under the Lease Agreement	PLN	378 657	934 778
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	Company 2 **	Surety for trade liabilities of Eurocash Serwis Sp. z o.o.	PLN	29 000 000	32 000 000
9	Bank 7 **	Surety for liabilities of Partnerski Serwis Detaliczny S.A. under the Lease Agreement	PLN	131 168	-
10	Bank 8 **	Surety for commitments of Frisco S.A. under the Sales Agreement	PLN *	28 021 186	-
11	Bank 9 **	Surety for liabilities of Eurocash Serwis Sp. z o.o., resulting from the Factoring Agreement	PLN	240 000 000	-
12	Bank 10	Surety for the Eurocash Group companies regarding the cash pool agreement in the amount of the credit limit	PLN	3 144 480 000	-
13	Bank 11	Guarantee of the revolving loan of Frisco S.A.	PLN	5 000 000	-
				6 384 667 544	2 905 933 945

* - Guarantee in EUR is translated into PLNB at the average exchange rate of NBP:
as at 31.12.2016: 1 EUR = 4,424 PLN,
as at 31.12.2017: 1 EUR = 4,1709 PLN.

** at nominal value

*** at debt value as at balance sheet date

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

OTHER BANK GUARANTEES AS AT 31.12.2017

No	Bank guarantee drawer	Title	Currency	as at 31.12.2017	as at 31.12.2016
1	Bank 1	Security for rent liabilities	PLN	6 303 754	6 372 506
2	Bank 2	Security for rent liabilities	PLN*	26 312 770	22 534 838
3	Bank 3	Security for excise duty	PLN	2 700 000	2 100 000
4	Bank 4	Security for payment for suppliers	PLN	20 000 000	20 000 000
5	Bank 5	Security for payment with the use of national road viaToll	PLN	-	620 100
6	Bank 6	Security for promotional lottery	PLN	54 556	454 400
7	Bank 7	Payment security for suppliers *	PLN	4 170 900	-
				59 541 980	52 081 844

* - Guarantee in EUR is translated into PLN at the average exchange rate of NBP:
as at 31.12.2016: 1 EUR = 4,424 PLN,
as at 31.12.2017: 1 EUR = 4,1709 PLN.

COLLATERALS

SECURITY ON ASSETS AS AT 31.12.2017

Title	Secured property	Amount secure in PLN
Security of an agreement on a credit line at ING **	Deposit on the inventories	90 000 000
Securing the syndicated loan agreement	Deposit on the Eurocash Serwis Sp. z o.o. shares	9 547 300
Securing the syndicated loan agreement	Deposit on the Eurocash S.A. shares	3 800 000
Finance lease agreements (at net value of tangible fixed assets on the balance sheet date)	Deposit on fixed assets in financial leasing	3 904 574

** at the nominal value of the security

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

NOTE 33. FINANCIAL RISK MANAGEMENT

a. General information

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operating risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes used to measure and manage risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Management Board of the Company bears the overall responsibility for the establishment and oversight of the Company's risk management framework. In order to fulfill these requirements, the Board has established a Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Management Board on its activities.

The Risk Management Committee is established to identify and analyze the risks related to the Company's activities, to set appropriate risk limits and controls, and to monitor any variations against those limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Internal Audit Department which operates at the Company oversees how management monitors compliance with the Company's risk management policies and procedures. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures.

b. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The Company's maximum exposure to credit risk is presented in the table below.

CREDIT RISK EXPOSURE

	as at 31.12.2017	as at 31.12.2016
Accounts receivable and loans	1 398 796 041	1 418 602 796
Cash and cash equivalents	113 237 478	91 518 952
	1 512 033 520	1 510 121 748

*excluding cash

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

Trade receivables and other receivables

Due to the fact that the Company's customers are highly fragmented and scattered, there is no concentration of credit risks.

The Company's credit risk regarding receivables varies depending on the particular group of clients cooperating with the Company, as follows:

- sales realized in cash constitute over 90% of total sales realized by wholesalers and therefore there is no credit risk related thereto,
- sales of servicing to franchise networks and independent clients is mostly on a credit basis and is therefore characterized by a greater volume of overdue receivables. However, counterparties credit risk is moderate,
- sales of marketing services to suppliers of goods (promotions, newsletters, advertising brochures) are exposed to minor credit risk, as the related payments, as a result of additional arrangements, are offset with amounts payable to suppliers
- sales to HoReCa are typically transacted on a credit basis and therefore a higher percentage of overdue receivables occurs in this category; however, the credit risk related to these parties is moderate.

The Company monitors the amount of overdue receivables on an ongoing basis and in justified cases initiates legal proceedings and makes allowances for bad debts.

The tables below present the aging structure of trade receivables and bad debts allowances:

AGEING OF TRADE RECEIVABLES AND BAD DEBT ALLOWANCES AS AT 31.12.2017

	Trade receivables gross value as at 31.12.2017	Bad debts allowance as at 31.12.2017	Trade receivables gross value as at 31.12.2016	Bad debts allowance as at 31.12.2016
current	1 039 094 850	-	1 108 075 439	-
0-30 days	149 738 488	-	117 139 758	-
31-90 days	42 515 151	-	50 979 394	-
91-180 days	11 981 105	-	19 604 068	-
> 180 days	56 519 044	41 368 352	61 198 119	46 146 069
	1 299 848 638	41 368 352	1 356 996 778	46 146 069

ALLOWANCE FOR BAD DEBTS AS AT 31.12.2017

	for the period from 01.01.2017 to 31.12.2017	for the period from 01.01.2016 to 31.12.2016
Opening balance	46 146 069	40 636 328
Increases*	-	5 509 741
Decreases*	(4 777 717)	-
Closing balance	41 368 352	46 146 069
*net value		

Investments

Cash and cash equivalents are deposited with reputable financial institutions and the Company does not expect any counterparties to fail to meet their obligations.

Guarantees

The Company's policy is to provide financial guarantees only to wholly-owned affiliates and to regular key customers.

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c. Liquidity risk

Liquidity risk is the risk of the Company being unable to repay its debts as they fall due.

Liquidity risk management policy consists of ensuring, as far as possible, cash necessary for the Company to repay its debts and investment obligations as they fall due, without incurring unacceptable losses or risking damage to the Company's reputation.

The basis for effective liquidity risk management at Company is an internal model of forecasting cash flows. Liquidity management is focused on detailed analysis, planning and acting in the following three areas:

- investments in fixed assets,
- working capital,
- net financial debt.

The Company's sales are closed mainly for cash. Moreover, the Company has a credit line agreement as a revolving loan (without the cash pool) facilities, up to PLN 700m, which can be used to meet its short-term financial requirements.

As at 31 December 2017, a large part of current liabilities refers to liabilities with related parties, including PLN 470m in connection with the Cash Pool agreement.

In addition, liabilities from suppliers also include trade payables covered by the contracts (with 8 banks) reverse factoring, which do not generally change the conditions of trade payables.

Carrying amounts by the agreed due dates are presented in the following tables (excluding any agreements for mutual offsetting of receivables and payables):

AS AT 31.12.2017

	Net book value	< 12 months	1-5 years	over 5 years
Financial lease liabilities	2 993 775	2 368 542	625 233	-
Trade and other payables	3 115 328 020	3 114 424 520	903 500	-
Factoring	21 852 020	21 852 020	-	-
Bank overdrafts	691 467 746	691 467 746	-	-
Bond issue	219 533 443	219 533 443	-	-
Other finance liabilities	2 270 095	2 202 166	67 929	-
	4 053 445 098	4 051 848 436	1 596 662	-

AS AT 31.12.2016

	Net book value	< 12 months	1-5 years	over 5 years
Financial lease liabilities	10 393 813	1 955 478	8 413 221	25 115
Trade and other payables	2 826 489 997	2 756 471 047	70 018 950	-
Factoring	26 515 066	26 515 066	-	-
Bank overdrafts	738 498 237	738 498 237	-	-
Bond issue	161 000 000	21 000 000	140 000 000	-
	3 764 953 539	3 545 310 360	219 618 064	25 115

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

d. Market risk

Market risk is the risk related to changes in demand, supply, and prices, as well as other factors (such as foreign exchange rates, interest rates, and equity prices) which will affect the Company's income or the value of its assets. The objective of market risk management is to manage and control market risk exposures within the acceptable limits, while optimizing risk returns.

Currency risk

Currency risk does not significantly affect the business activities of the Company, as the majority of the Company's payments are made in the local currency. In order to manage the currency risk regarding significant transactions in foreign currencies, the Company buys and sells derivatives. The Company is focused on an application of hedge accounting that would minimize the effect of profit and loss variability for the period. In 2017, as well as in 2016 year, the Company did not have any open positions in currency derivatives.

Interest rate risk

Interest rate risk is related to loans and credit facilities granted and taken out, respectively.

The table below presents the carrying amount of the Company financial instruments exposed to interest rate risk, divided by the age category

INTEREST RATE RISK

31 December 2017

	< 1 year	2-5 years	> 5 years	Total
Finance lease liabilities	2 368 542	625 233	-	2 993 775
Credits and loans	691 467 746	-	-	691 467 746

31 December 2016

	< 1 year	2-5 years	> 5 years	Total
Finance lease liabilities	1 955 478	8 413 221	25 115	10 393 813
Credits and loans	738 498 237			738 498 237

The following table presents the Company's exposure profile (maximum exposure) to the risk of interest rate fluctuations, by presenting variable and fixed rate financial instruments

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VARIABLE AND FIXED INTEREST RATE FINANCIAL INSTRUMENTS

	Present value 31.12.2017	Present value 31.12.2016
Fixed interest rate instruments		
Financial liabilities	5 263 870	12 450 239
Floating interest rate instrument		
Financial assets	1 514 479 115	1 511 626 915
Financial liabilities	4 048 181 228	3 752 503 300

The Company has analyzed variable-interest instruments' sensitivity to changes in market interest rates. The table below presents an impact of 100 pp increase and decrease interest rates on the net profit/loss and on equity less net profit/loss. This analysis was performed based on the assumption that all other variables, such as currency exchange rates, remain unchanged. The analysis was performed for the current year and for the comparative period.

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS

	Income statement		Equity	
	increases 100bp	decreases 100bp	increases 100bp	decreases 100bp
31 December 2017	(25 337 021)	25 337 021	-	-
31 December 2016	(22 408 764)	22 408 764	-	-

e. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business.

The Company monitors changes in the structure of shareholders, the return on capital and the level of dividends paid to shareholders.

It is the objective of the Company to achieve such value of return on equity that would satisfy the shareholders and guarantee yearly payment of dividend.

There were no changes in the Company's capital management goals, rules or processes in place during the presented period.

f. Fair value

As at December 31, 2017, fair value of financial instruments was similar to their carrying value. The Company holds interest rate security instruments (IRS) carried at fair value. For these IRS, fair value was recognized as level 2 in the hierarchy - fair value is determined on the basis of values observed on the market yet different than direct market quotes (e.g. through direct or indirect reference to other instruments existing on the market). With respect to the applied hedge accounting, the effect of valuation is presented in other comprehensive incomes.

According to the Company's assessment, the fair value of cash, trade receivables, trade payables, bank loans, loans and financial lease liabilities and other financial assets and liabilities does not differ significantly from the carrying amounts..

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Financial statements period:	1 January -31 December 2017	Presentation currency:	Polish zloty (PLN)
Level of round-offs:	All amounts are expressed in Polish zloty (unless indicated otherwise)		

NOTE 34. OTHER SUBSEQUENT EVENTS

1. Acquisition of 100% shares in EKO Holding S.A.

On 4 January 4, Eurocash acquired 100% of shares in EKO Holding S.A. based in Nowa Wieś Wrocławska for PLN 127 million (and indirectly 100% shares in Ledi Sp. z o.o. and Jim Sp. z o.o.).

Thus, Eurocash acquired a network of EKO grocery stores (operating mainly in south-western Poland), which will allow further development of the Eurocash Group and better use of its potential. Consequently, this should affect an increase in Eurocash Group revenues.

2. Choice of an entity authorized to audit financial statements

The Supervisory Board of Eurocash, acting under par.14 point 2 Statute of the Company, on 25 April 2017, 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 2017.

3. Preliminary agreement to acquire entities controlling the MILA chain of stores

On 15th September 2017, Eurocash concluded the Preliminary Agreement with Argus Retail Holding Limited (company under Cypriot law), non-public closed-end investment fund Elbrus with its registered office in Warsaw, Robert Załęski, Robert Kasner and Stanisław Sosnowski of purchasing 100% of shares in the share capital of Domelius Limited (company under Cypriot law) with its registered office in Nicosia considered by the issuer, as well as taking over control on its subsidiary companies including: Mila Holding S.A. (previously Grupa 700 market-Detal spółka z o.o. S.K.A.), Mila S.A. (previously market-Detal spółka z ograniczoną odpowiedzialnością sp.j.), Investpol 700 Mila spółka jawna and "Koja-Mila spółka akcyjna" spółka jawna.

Value of the transaction was settled on PLN 350 m, excluding some real estate which will not be taken over by Eurocash.

Concluding the final agreement is subject to the conditions precedent agreed in the Preliminary Agreement, in particular to obtain by Eurocash the consent of the President of the Office of Competition and Consumer Protection.

At the end of 2016 the Mila Supermarket chain was consisted of 188 stores. Sales revenue reached PLN 1,49 bn, EBITDA reached PLN 4,8 m. The acquisition of the Mila chain is with accordance to Eurocash M&A policy. Similar to take over of EKO chain it will enable Eurocash Group to develop competences in retail sales and logistics capacities, following improvement of the competitiveness of Eurocash Group's clients and as a consequence the potential increase in revenues of Eurocash Group.

NOTE 35.

IMPORTANT EVENTS AFTER THE PERIOD COVERED BY THE FINANCIAL STATEMENTS

There were no significant events after the period covered by the financial statements, influencing the activity if the Company.

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

SIGNATURES OF MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President of the Management Board	Luis Amaral	22 nd March 2018	
Management Board Member Chief Executive Officer	Rui Amaral	22 nd March 2018	
Management Board Member	Arnaldo Guerreiro	22 nd March 2018	
Management Board Member	Pedro Martinho	22 nd March 2018	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	22 nd March 2018	
Management Board Member Financial Director	Jacek Owczarek	22 nd March 2018	
Management Board Member	Przemysław Ciaś	22 nd March 2018	