Siła Nowoczesnego Przedsiębiorcy

Eurocash Group S.A.

Consolidated annual report for the year 2019

KOMORNIKI, 12th March 2020

Contents

Part A

Letter from the President

KOMORNIKI, 12th March 2020

Dear Shareholders, Partners, Employees, Customers

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

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

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

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

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

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

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

Sincerely,

Luis Amaral

President of the Eurocash Group

Part B

Report of the Management Board

For the period from 1 January 2019 to 31 December 2019

NOTE FROM TRANSLATOR
This document is a translation from Polish.
The Polish original is the binding version and shall be referred to in matters of interpretation.

KOMORNIKI, 12th March 2020

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EUROCASH GRUPA | Siła Nowoczesnego Przedsiębiorcy

Table 1: Eurocash Group: Summary of 2019 Financial Performance

PLN m	2019	2019 before IFRS16	2018	Change % (before IFRS16)
Sales revenues (traded goods, materials)	24 852.24	24 852.24	22 832.89	8.84%
Gross profit (loss) on sales	3 242.98	3 242.98	2 881.88	12.53%
Gross profitability on sales (%)	13.05%	13.05%	12.62%	0.43 p.p.
EBITDA	794.08	430.03	418.61	2.73%
(EBITDA margin %)	3.20%	1.73%	1.83%	-0.10 p.p.
EBIT	244.52	208.36	214.38	-2.81%
(EBIT margin %)	0.98%	0.84%	0.94%	-0.10 p.p.
Gross profit	113.42	140.00	155.55	-10.00%
Net Income	79.13	100.65	111.65	-9.85%
(Net profitability %)	0.32%	0.41%	0.49%	-0.08 p.p.

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

PLN m	2019	2018	Change %
One-off items	**14.77**	**44.75**	
PayUp disposal	22.75*	74.76	
Provision on restructuring costs	0.00	-27.00	
Costs of Mila process	0.00	-3.01	
Sushi 2 Go write-off	-7.98	0.00	
EBITDA normalized**	**415.26**	**373.86**	**11.07%**
(Normalized EBITDA margin %)	1.67%	1.64%	0.03 p.p.
EBIT normalized**	**193.59**	**169.62**	**14.13%**
(Normalized EBIT margin %)	0.78%	0.74%	0.04 p.p.
Net profit normalized**	**85.88**	**66.90**	**28.37%**
(Normalized net profitability %)	0.35%	0.29%	0.06 p.p.

*bonus on meeting the terms of the contract with PEP
**excluding impact of the one-offs

Consolidated sales of Eurocash Group in 2019 amounted to PLN 24 852.24 m and increased by 8.84% YoY. Sales growth was driven mainly by Wholesale segment (PLN +1 028 m in 2019) and further development of Retail segment (PLN +958 m in 2019).

Gross margin on sales realized by Eurocash Group in 2019 increased by 0.43 p.p. YoY and amounted to 13.05%. In 2019 EBITDA amounted to PLN 794.08 m. In 2019, EBITDA before IFRS16 amounted to PLN 430.03 m and increased by 2.73% YoY. The growth of EBITDA was attributable to better performance of Wholesale segment. Other impact was one-offs in 2018 which amounted to PLN 44.75 m: sales of PayUp PLN 74.76 m, provision on restructuring costs PLN -27.00 m and costs of Mila reorganization process PLN -3.01 m.

The net profit in 2019 amounted to PLN 79.13 m. Net profit in 2019 before IFRS16 amounted to PLN 100.65 m and decreased by 9.85% YoY. Decrease of net profit was attributable to one-offs, which was higher in 2018.

EBITDA normalized in 2019 amounted to PLN 415.26 m compared with PLN 373.86 m previous year which means an increase of 11.07%. In 2019 there was one-offs regarding additional earn out from agreement with PEP in connection with fulfilling the terms of the deal of PayUp sales in amount of PLN 22.75 m and write-off of Sushi 2 Go PLN -7.98 m. EBITDA increase was primarily related to the improvement of the wholesale segment's financial results, which were partially off-set by the results of the retail segment being in the process of reorganization and integration.

Implementation of IFRS16

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

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

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

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

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

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

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

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

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

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

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

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

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

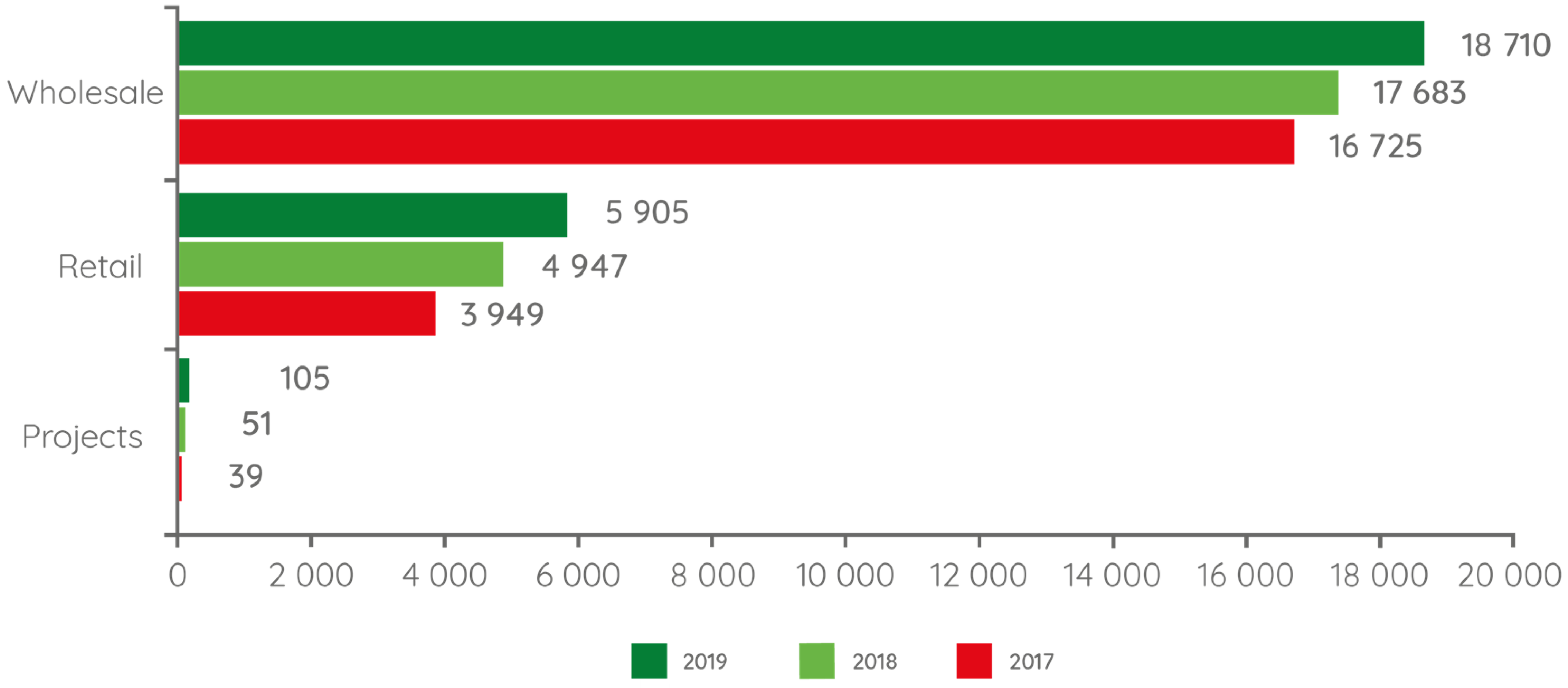
Presented in the Report of the Management Board non-IFRS data is not subject to analysis or review by an independent certified auditor. Data not covered by IFRS are not financed in accordance with EU IFRS. Data that is not IFRS are not uniformly defined and calculated by others, and may be not comparable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

Operating segments of Eurocash Group

As at 31st December 2019, the Eurocash Group's wholesale trade network comprised 180 Cash&Carry warehouses, under which a network of „abc" partner stores was organized, which included 8 985 local grocery stores. In franchise and partner networks cooperating with Eurocash Distribution, there were 5 133 stores associated. The retail network included 1 565 small supermarkets, including 1 351 operating under the Delikatesy Centrum brand and 450 Inmedio press salons.

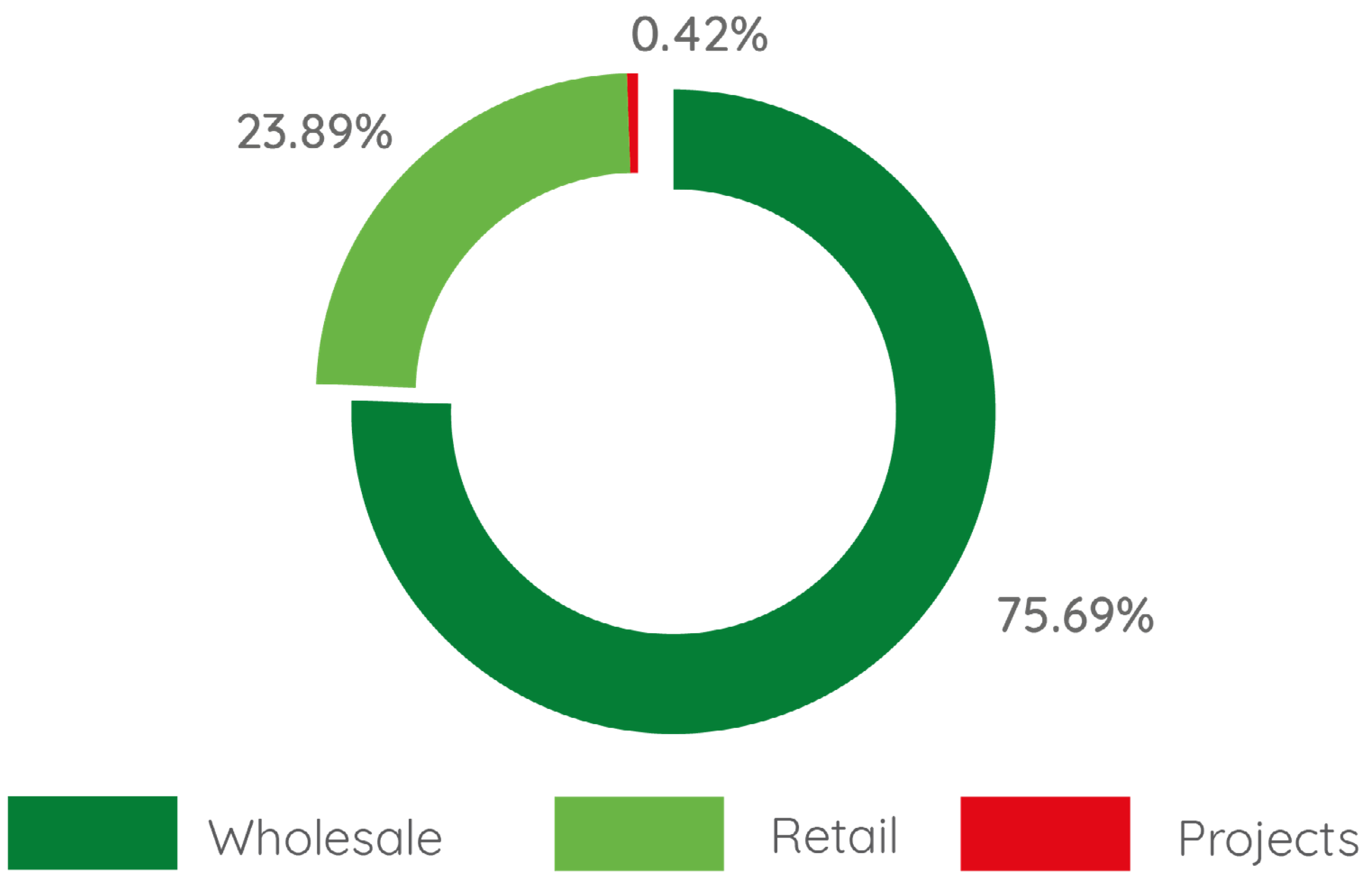
The sales dynamics divided into individual sales segments are presented in the chart on the next page.

Chart 1. Eurocash Group: External sales of goods in 2019 according to the segments (PLN m)



Source: Own study

Chart 2. Eurocash Group: Presentation of the Group's segments by retail, wholesale and projects segments (%)



Source: Own study

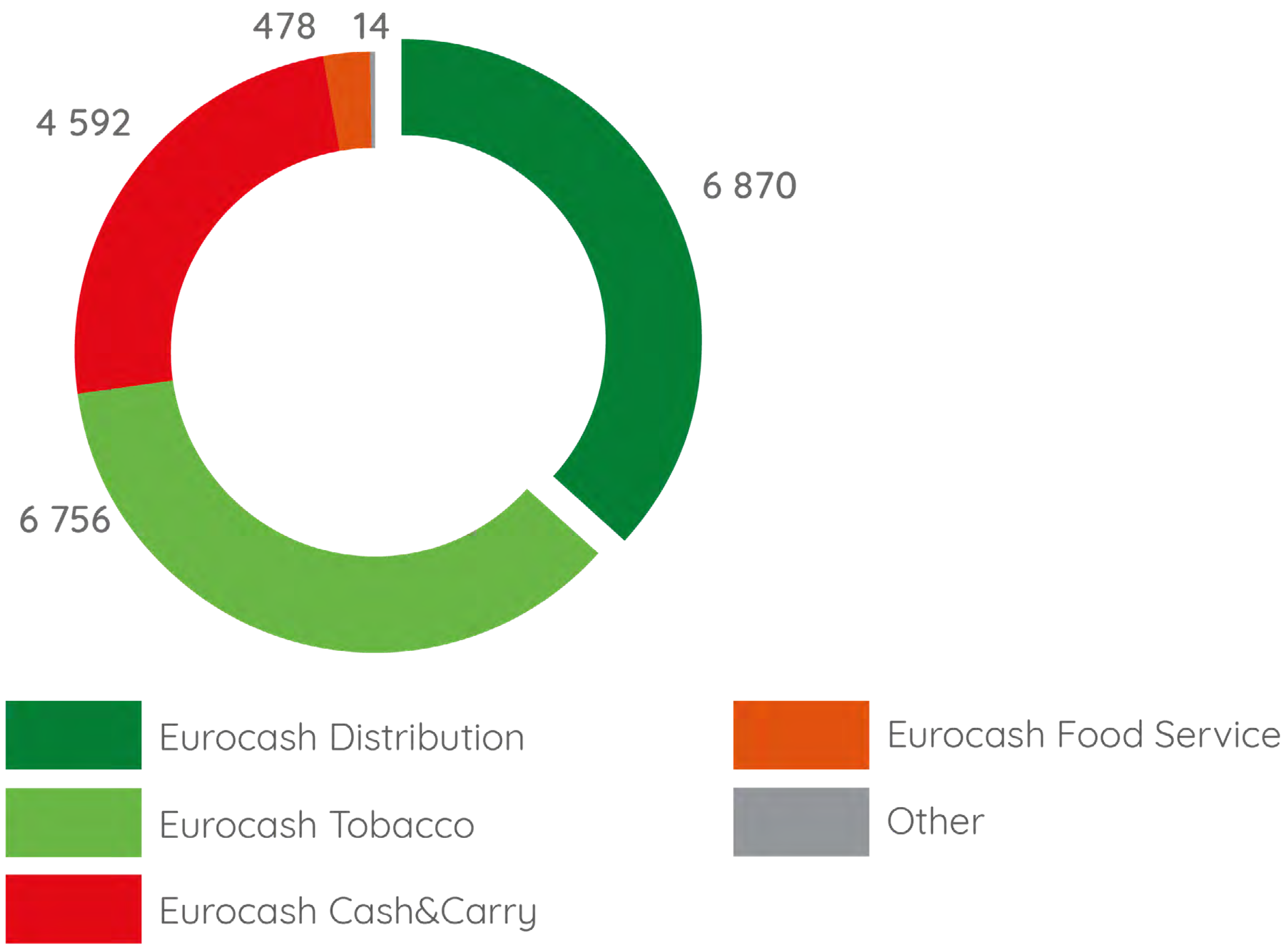
In 2019 sales of goods in Wholesale segment amounted to PLN 18 710.44 m comparing with PLN 17 682.83 m in previous year which means growth by 5.81%. In Wholesale, main contributor to growing sales was Tobacco format. Retail sales of goods realized by Retail segment in 2019 amounted to PLN 5 904.81 m compared to PLN 4 947.12 m in previous year which means growth by 19.36%. The main driver of sales increase in Retail has been full 12 month period of Mila chain sales, which was acquired in the end of May 2018 as well as good organic growth in other retail formats. In 2019 sales of goods realized by Projects segment amounted to PLN 104.56 m in comparison to PLN 50.94 m last year. Such a significant increase YoY is related to entering into expansion phase by Duży Ben chain of stores.

Below we present the distribution of sales revenues for 2019, split on business segments.

The retail segment accounted for nearly 24% in the Eurocash Group, while the wholesale segment was responsible for almost 76% of Eurocash Group's sales revenues. Compare to the 2018, retail segment increased by 2.08% and wholesale segment decreased by 2.27%.

Chart 3. Eurocash Group: Sales of the wholesale segment by individual formats (PLN bn)

Source: Own study



The largest share in the Wholesale segment sales is generated by Eurocash Distribution and Eurocash Tobacco – each responsible for 36% followed by Cash & Carry – 25%. The sales of Eurocash Food Service amounted to 3% of 2019 sales.

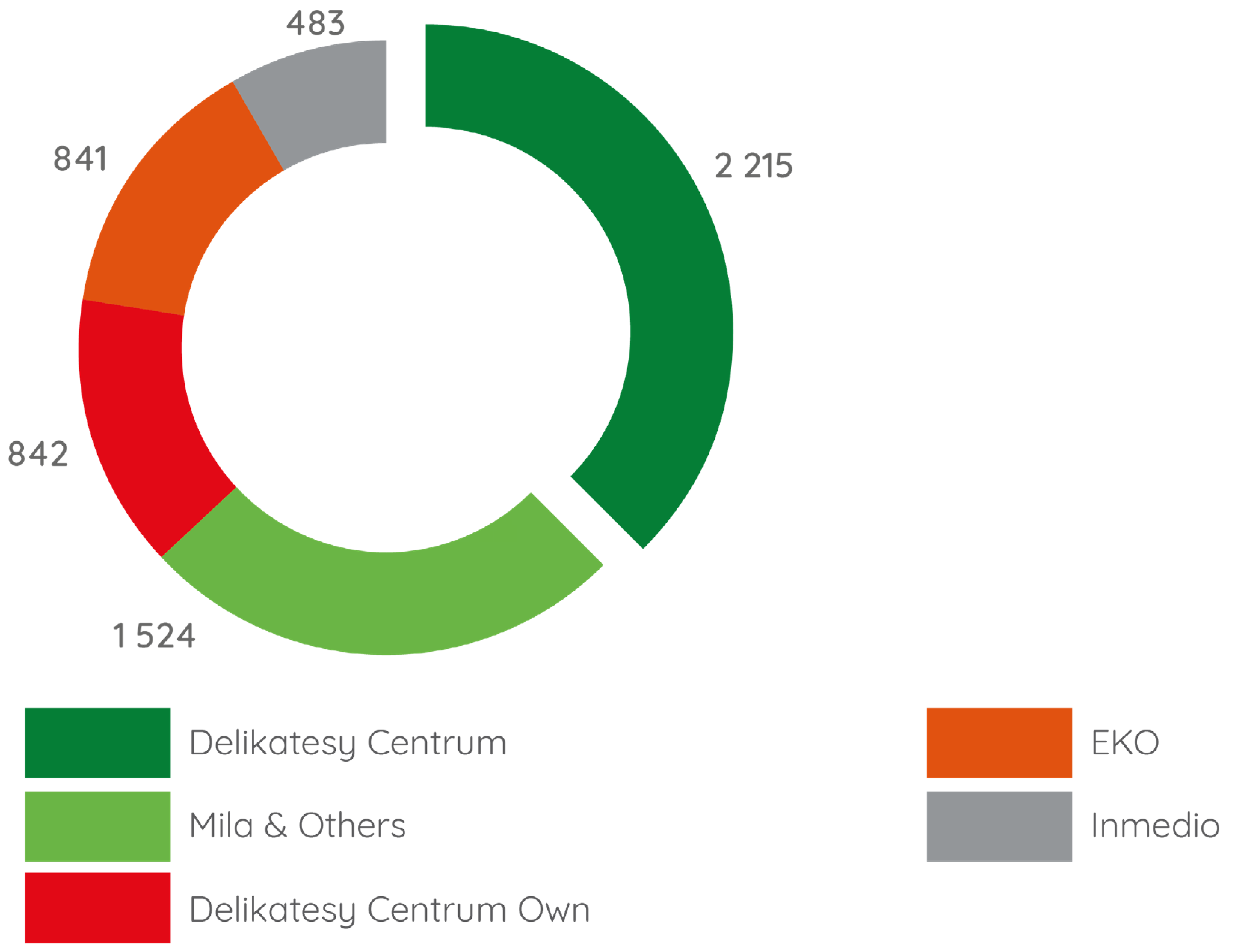


Chart 4. Eurocash Group: Sales of the retail segment by individual formats (PLN bn)

Source: Own study

The Retail segment consists mainly of stores under Delikatesy Centrum brand. The biggest share in Retail segment is generated by Delikatesy Centrum – 38%, followed by Mila chain stores counted together with Partner stores – 26%. Stores where Eurocash hold 50% of shares – Delikatesy Centrum Own, amounted to 14%, the same result was achieved by post EKO stores run by EKO Holding S.A. in liquidation. The Retail segment also includes the sales of Inmedio newsagents, which share in the segment's revenue was 8%.

2.1 Market Environment

Key macroeconomic data

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

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

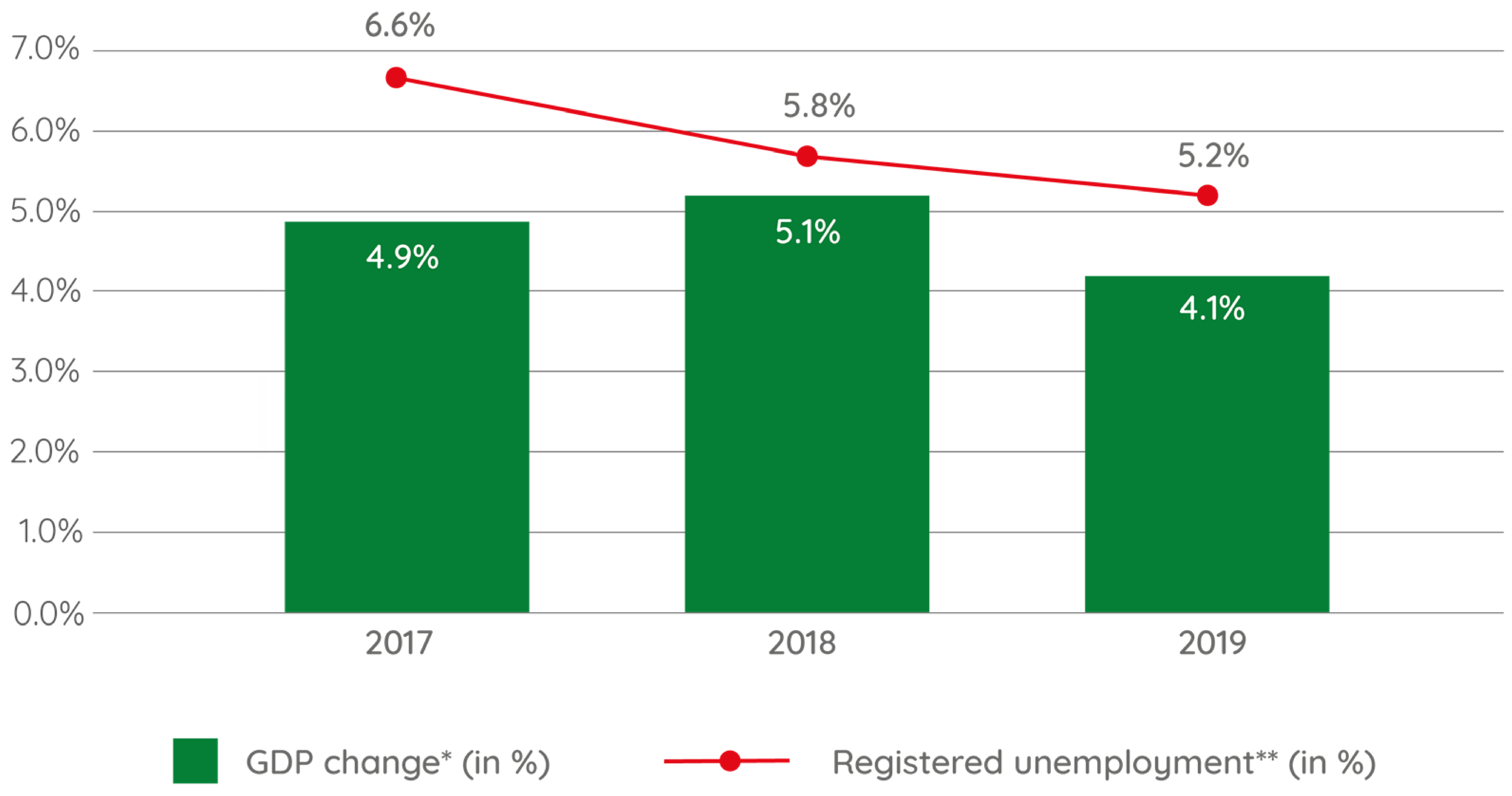
The table below presents key macroeconomic data for the Polish economy for periods indicated.

Table 3: Macroeconomic situation in Poland

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

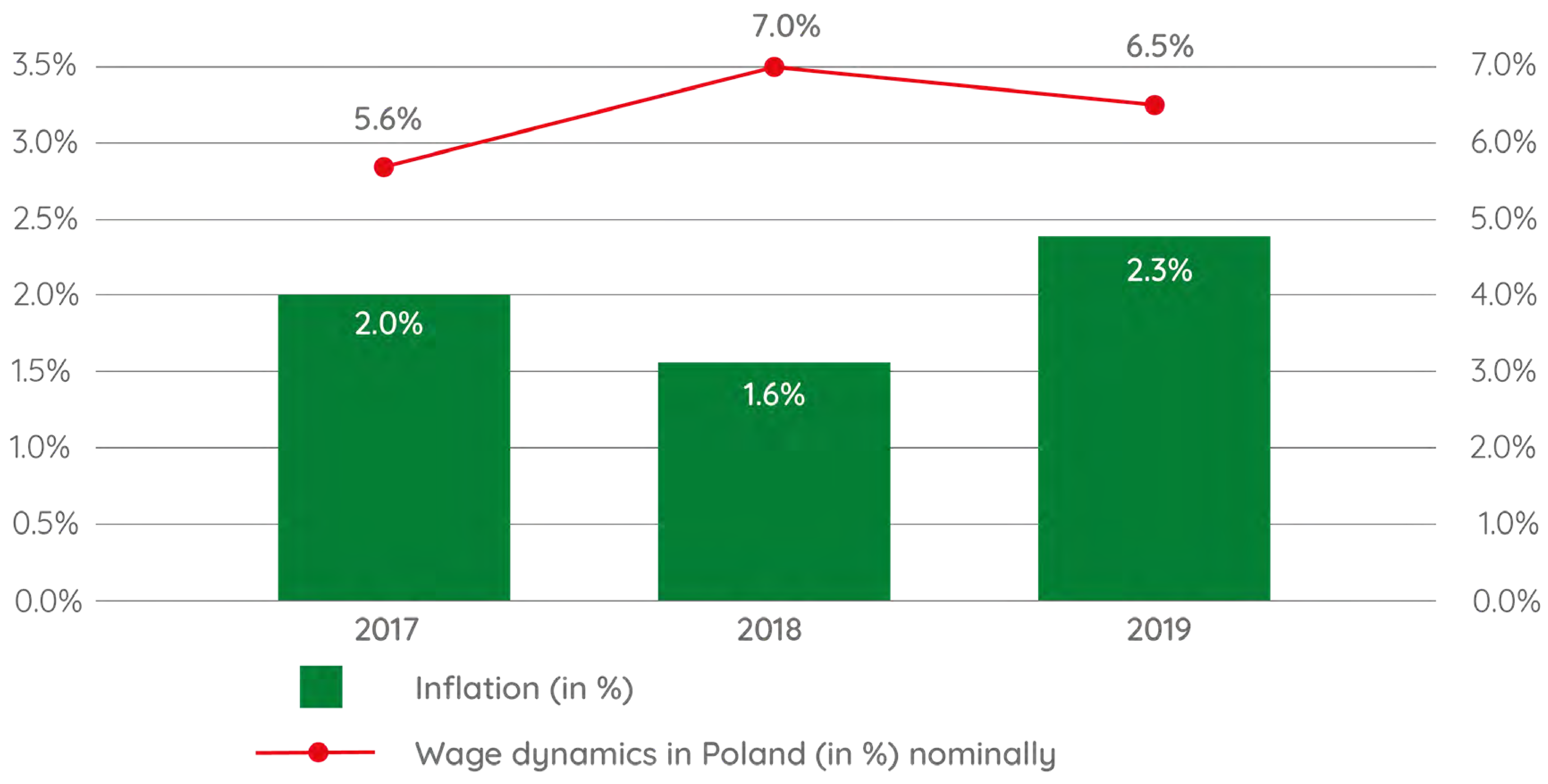
Source: Polish Central Statistical Office
* Preliminary data for 2019
** As at year end

Chart 5. Macroeconomic: GDP change vs. Registered unemployment



Source: Polish Central Statistical Office

Chart 6. Macroeconomic: Inflation vs. Wage dynamics in Poland (nominally)



Source: Polish Central Statistical Office

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

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

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

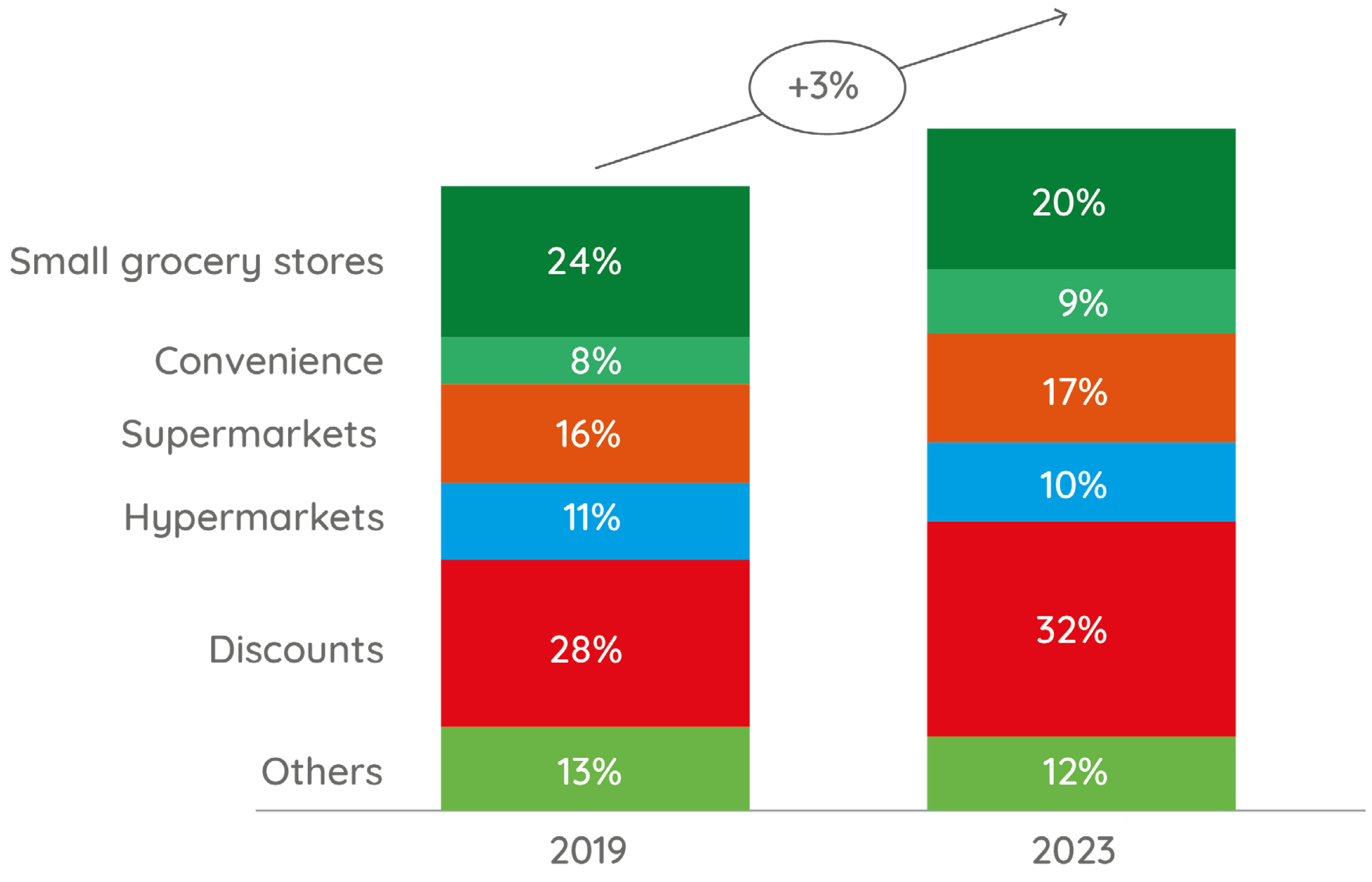
At the end of December 2019, the registered unemployment rate in the country improved comparing to the previous year and amounted to 5.2%.

Polish FMCG market - general information

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

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

Chart 7. Structure of the FMCG market in Poland

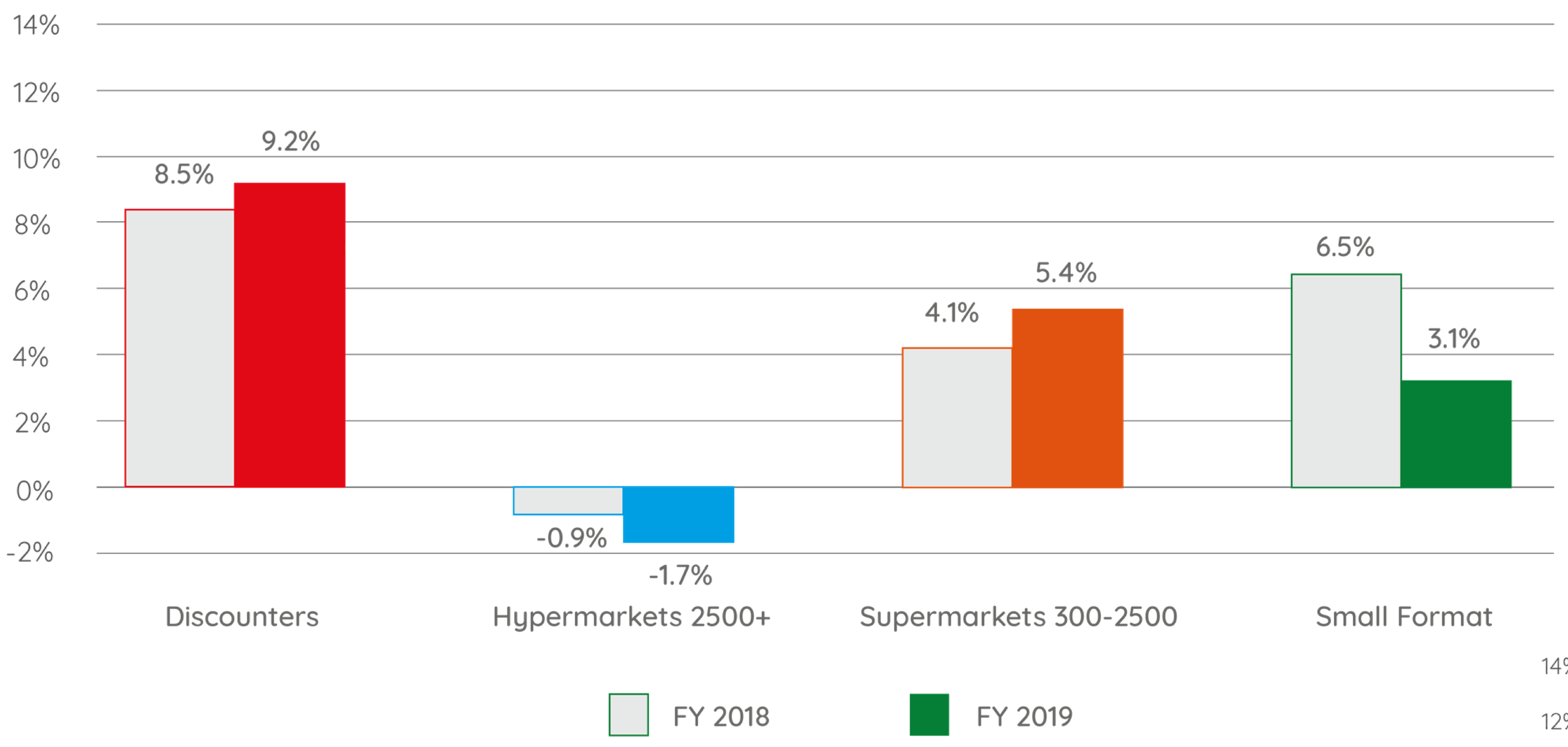


Source: Own estimates based on PMR data

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

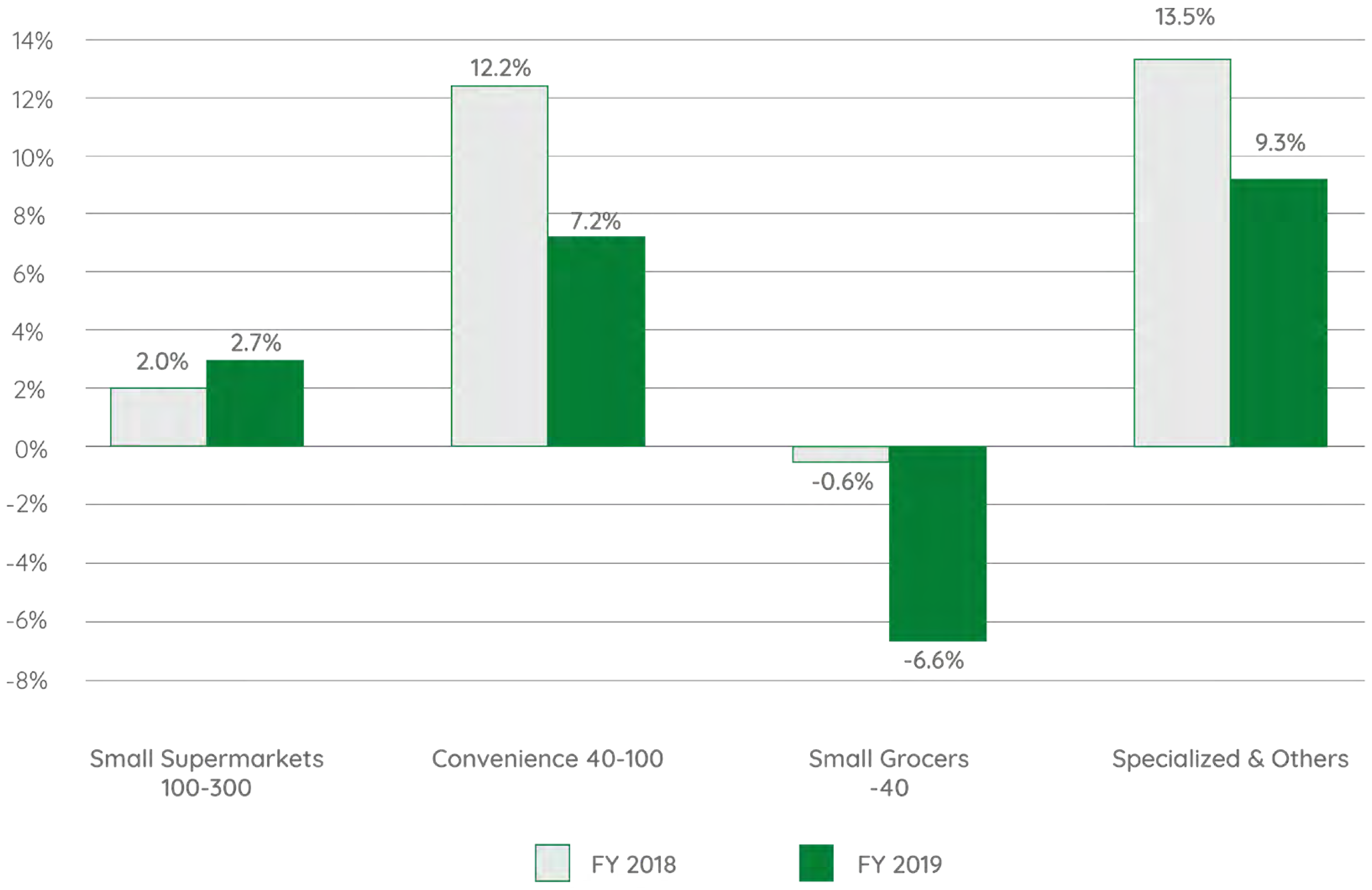
At the same time, the number of small-format stores decreased by 5.3%, reaching the level of approx. 86.6 thousand stores at the end of 2019 (large, medium and small grocery stores, sweet and alcohol, kiosks and petrol stations). Decrease in the number of small-format stores is mainly caused by the decrease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

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



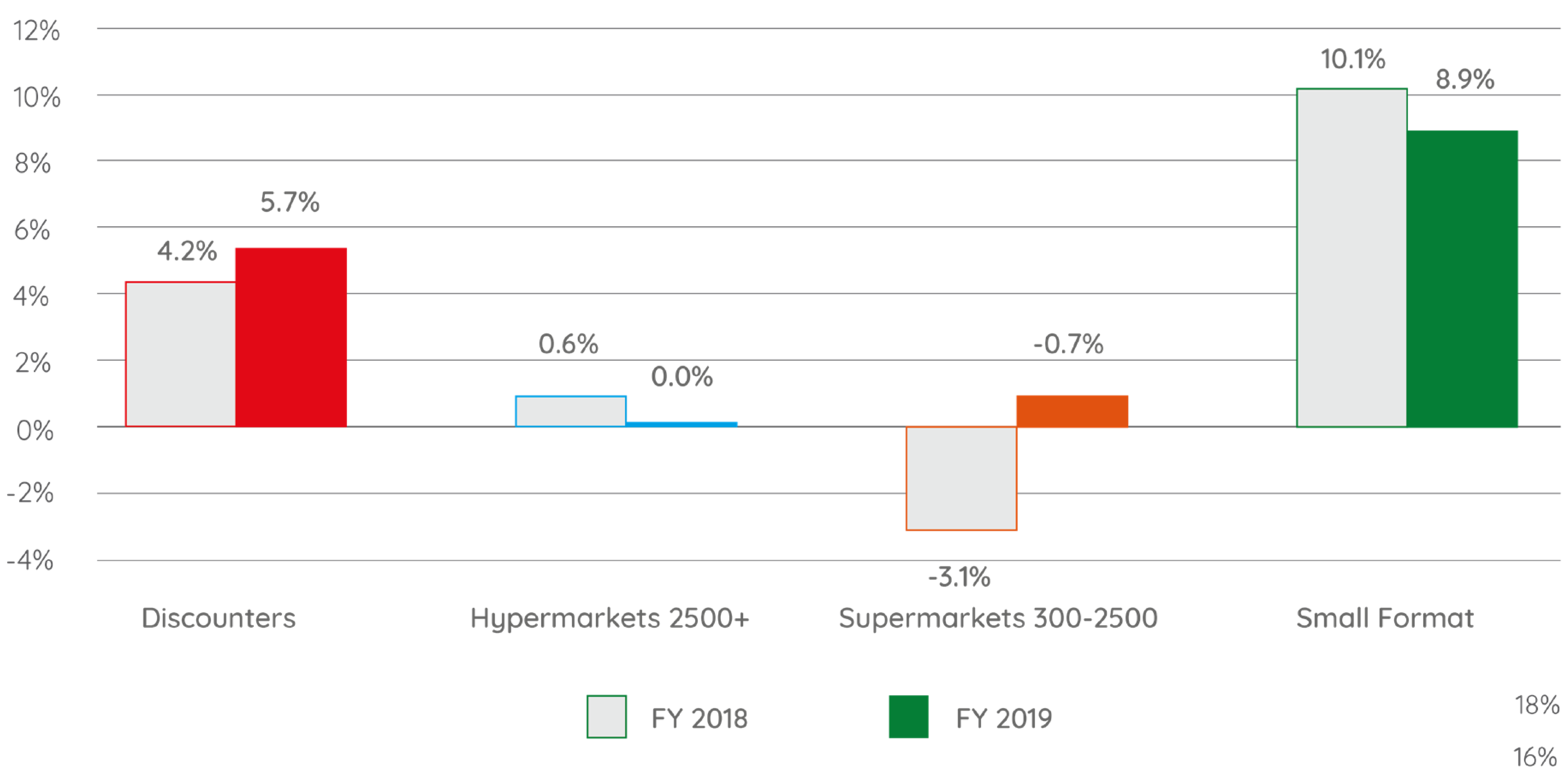
Source: Nielsen Retail Trade Panel, Value sales, period: January 2017 – December 2019, Food categories

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



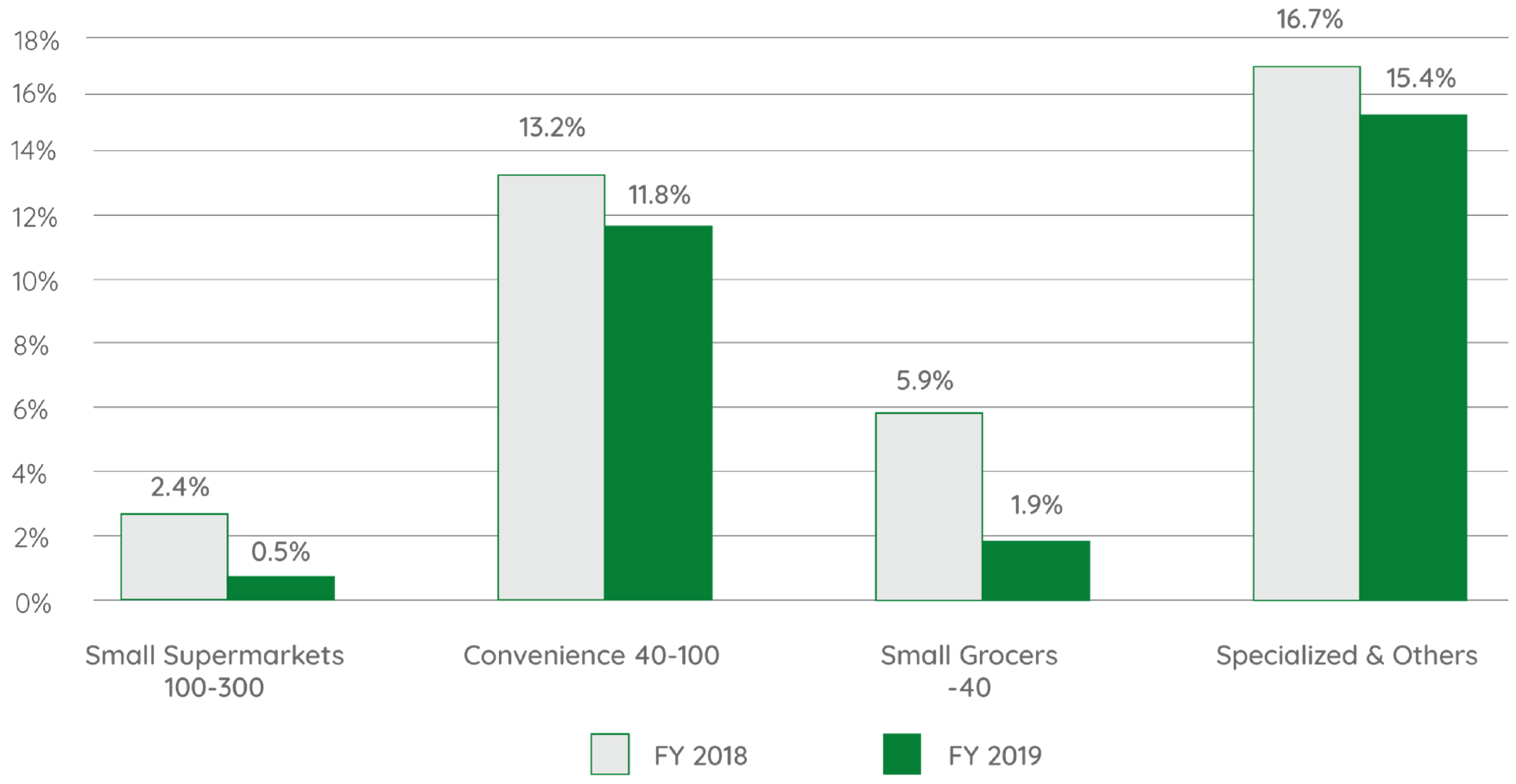
Source: Nielsen Retail Trade Panel, Value sales, period: January 2017 – December 2019, Food categories

Chart 10. Sales dynamics per one store on the food market by distribution channels



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

Chart 11. Sales dynamics per one store on the food market in small-format stores



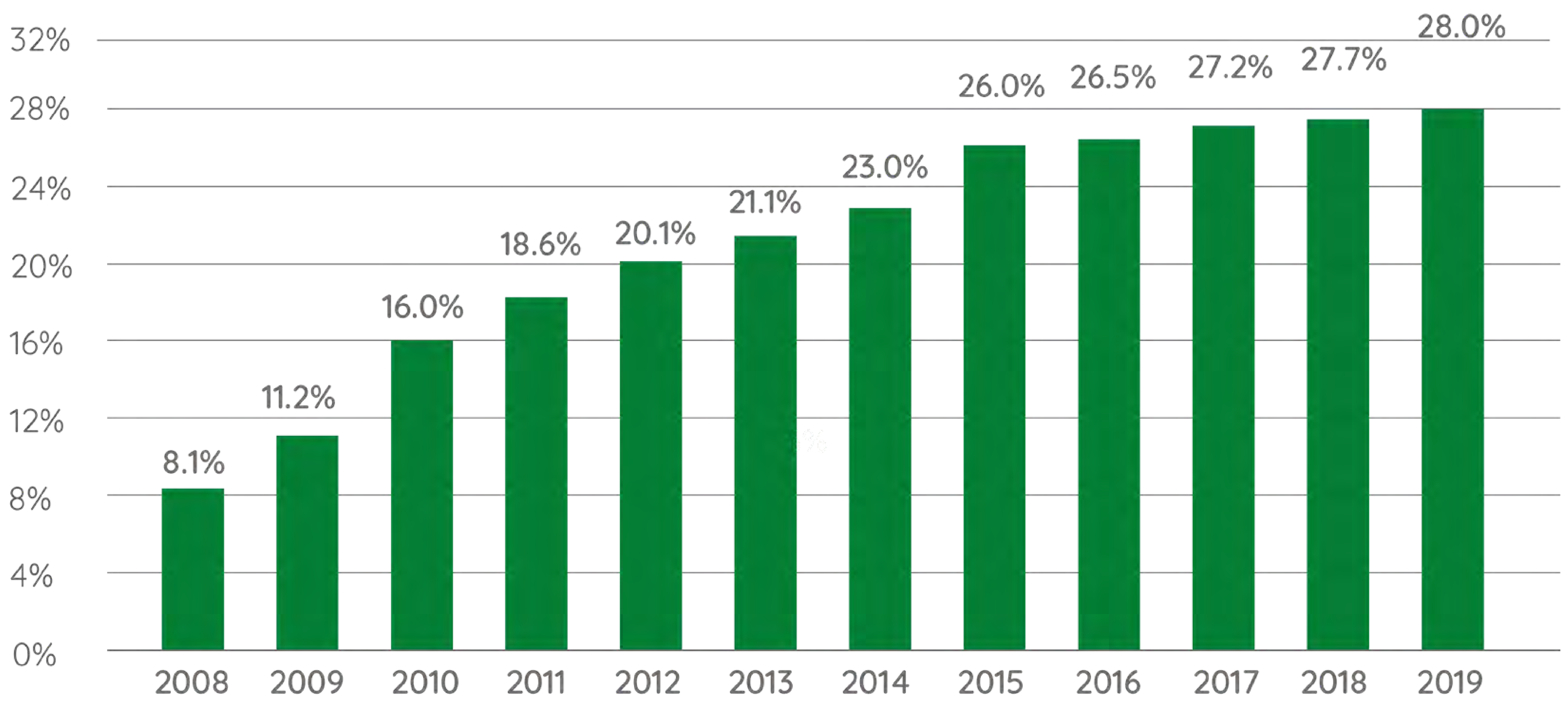
Source: Nielsen Retail Trade Panel, Value sales, period: January 2017 – December 2019, Food categories

Wholesale distribution of FMCG Market

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

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

Chart 12. Market share of Eurocash Group (wholesale) during 2008 – 2019



Source: Own estimates

Trends on the Polish FMCG Market

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

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

1. Nielsen Retail Trade Panel, Value sales, period: January 2018 – December 2019, Food categories

2.2 Eurocash Group: Business Formats

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

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

Chart 13. Eurocash Group: Focused on small format stores

EUROCASH GROUP			
WHOLESALE	RETAIL	PROJECTS	OTHERS
CASH&CARRY	DELIKATESY CENTRUM	DUŻY BEN	
TOBACCO	INMEDIO	KONTIGO	
FOOD SERVICE		ABC NA KOŁACH	
DISTRIBUTION		OTHERS	
AMBRA			

abc	Lewiatan	RETAIL PARTNER CHAINS ORGANIZED BY THE WHOLESALE SEGMENT
Gama	Groszek	
Euro Sklep	Drogerie Koliber	

Source: Own study

Below we present the basic financial and operating data of the Eurocash Group broken down into the following segments and distribution formats:

Wholesale – wholesale distribution formats:
- Eurocash Distribution consisting of:
  - active distribution companies (Eurocash S.A. after merger with Tradis Sp. z o.o., DEF Sp. z o.o., AMBRA Sp. z o.o. and firms belonging to Alcohol Distribution);
  - companies organizing or supporting franchise chains of retail shops: Euro Sklep S.A., Groszek Sp. z o.o., Lewiatan Holding S.A., Lewiatan Podlasie Sp. z o.o., Lewiatan Śląsk Sp. z o.o., Lewiatan Zachód Sp. z o.o., Lewiatan Północ Sp. z o.o., Lewiatan Opole Sp. z o.o., Lewiatan Wielkopolska Sp. z o.o., Lewiatan Podkarpacie Sp. z o.o., Lewiatan Kujawy Sp. z o.o., Lewiatan Orbita Sp. z o.o.;
- Cash&Carry – a national network of discount Cash & Carry type warehouses under the “Eurocash Cash & Carry” brand, as part of which the loyalty program for the “abc” network of stores operates;
- Tobacco & Impulse – active distribution of tobacco products and fast moving consumer goods through Eurocash Serwis Sp. z o.o.;
- Eurocash Food Service – supplies for restaurant chains, hotels and independent food outlets;
- Other – sales revenue of 4Vapers Sp. z o.o. and Cerville Investments Sp. z o.o.

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

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

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

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

2.3 Number of outlets

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

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

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

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

*Groszek, Euro Sklep S.A., Lewiatan, PSD
Source: Eurocash

2.4 Sales Structure

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

2.5 Structure of the Eurocash Capital Group

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

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

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

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

Chart 14. The structure of the Eurocash Group and its affiliated companies as at December 31st 2019:

Luis Amaral

(through Politra B.V. s.a.r.l)

44.04%

EUROCASH S.A.

WHOLESALE

- 75% Eurocash Serwis Sp. z o.o.
- 100% DEF Sp. z o.o.
- 100% AMBRA Sp. z o.o.
- 100% Polska Dystrybucja Alkoholi Sp. z o.o.
- 100% ECA Detal Sp. z o.o.
- 100% Cerville Investments Sp. z .o.o.
- 100% 4Vapers Sp. z .o.o.

FRANCHISE SYSTEMS (WHOLESALE)

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

RETAIL

- 100% Eurocash Franczyza Sp. z o.o.
- 51% Inmedio Sp. z o.o.
- 50% Firma Rogala Sp. z o.o.
- 50% FHC-2 Sp. z o.o.
- 50% Madas Sp. z o.o.
- 100% EKO Holding S.A. w likwidacji
- 100% Delikatesy Centrum Sp. z o.o.
- 100% Partner Sp. z o.o.
- 75% Podlaskie Delikatesy Centrum Sp. z o.o.

PROJECTS

- 100% Kontigo Sp. z o.o.
- 100% Duży Ben Sp. z o.o.
- 100% ABC na kołach Sp. z o.o.
- 100% Eurocash Food Sp. z o.o.
- 74% Sushi 2 Go Sp. z o.o.
- 51% Deliktesy Centrum Podlasie Sp. z o .o.
- 100% Eurocash Convenience Sp. z o.o.

OTHER

- 44% Frisco S.A.
- 100% Eurocash Trade 1 Sp. z o.o.
- 100% Eurocash Trade 2 Sp. z o.o.
- 100% Premium Distributors Sp. z o.o.
- 100% Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.
- 100% Eurocash VC3 Sp. z o.o.
- 100% Domelius Limited (Cypr)
- 100% Mila Holding S.A.
- 100% Investpol 700 Mila spółka akcyjna sp.j.
- 100% Koja-Invest Sp. z o.o.
- 100% Detal Finanse Sp. z o.o.
- 100% EC VC7 Sp. z o.o.
- 100% Akademia Umiejętności Eurocash Sp. z o.o.
- 100% Delikatesy Centrum Sklepy Sp. z o.o.
- 100% Delikatesy Centrum 2 Sp. z o.o.
- 100% Delikatesy Centrum 3 Sp. z o.o.
- 100% Delikatesy Centrum 4 Sp. z o.o.

3.1 Eurocash Group Development Strategy

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

The Group implements its strategy through:

• satisfy the needs of the customers using a variety of distribution formats and forms of cooperation as well as by ensuring that customers receive an expected service quality,

• create a permanent competitive advantage for the Group through the effect of scale,

• systematic costs optimization and integration of operating systems of all business units operating within the Group.

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

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

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

One of the tools made available to all Eurocash Group clients so far is the Eurocash Academy - an educational platform that gives independent entrepreneurs knowledge to which employees of large format competition do not have access. Another solution developed on the basis of the Delikatesy Centrum chain is platform for fresh products distribution, which has been made available to franchisees and partners associated in chains cooperating with Eurocash Distribution format in 2019. Next tool, a Customer Relationship Management System based on the mechanisms developed at Delikatesy Centrum (Delikarta) will be available to all wholesale clients. Ultimately, the customers of Eurocash Group will be able to take advantage from solutions invented on Frisco.pl's experience (e-grocery store).

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

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

3.2 Factors impacting Development of Eurocash Group

External Factors

Growth in the FMCG market and its structure

The Group expects further growth of modern distribution channels; its unfavorable impact on company's income will be compensated by growth of the FMCG market in absolute terms and consolidation in the traditional wholesale market.

Fuel prices

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

Inflation

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

Labour costs

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

Internal Factors

Integration of acquired companies

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

Development of Eurocash Retail segment[2]

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

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

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

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

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

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

Investment in strategical growth projects

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

Cost optimization program

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

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

3.3 Risks and Threats

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

External Factors

Macroeconomic situation. Purchasing power of the population

Economic slowdown, drop of the purchasing power and decrease in household expenditures for consumption may have a negative impact on the sales volume of the Company.

Structure of FMCG retail distribution market in Poland

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

Structure of the traditional FMCG distribution channel. Competition

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

Internal Factors

IT systems

An efficient, uniform IT system allows for centralized and effective management of business processes, allowing for an exact analysis of profitability of particular products and particular discount stores, which guarantees high safety of the conducted business. Possible disturbances in the system operation would be a threat for the business of the Group.

New investments

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

Suppliers

Due to the range of products offered by the Eurocash Group and geographically diverse sales, key suppliers of the Group are numerous and as at 31st December 2019 comprised 1 475 national and foreign entities.

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

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

3 Nielsen Retail Trade Panel, Value sales, period: January 2018 – December 2019, Food categories
4 Ibidem

Risk management system

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

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

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

Table 5: Risk management system

Risk area	Risk examples	Elements of the risk management system - methods of monitoring and controlling
Ethics and counteracting corruption	• Risk of corruption in relations with contractors • Risk of fraud against employees • Risk of fraud against contractors	• Eurocash Group's Code of Ethics • Eurocash Group values - clearly defined and communicated to employees • Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics • Anti-mobbing policy • Training for employees on Eurocash Group values and ethics rules • Instructions for accepting gifts from contractors (giving gifts for charity)
Human resources/ workplace	• Risk of losing employees • Risk of non-compliance with labor law by employees • Risk of low employee involvement • Risk of mobbing and other abuses towards employees • Risk of unfair assessment of employees' professional development • Risk of lack of professional development opportunities for employees • Risk of low employee satisfaction with work	• Procedures and instructions regulating the workplace, including work regulations, remuneration and employee bonuses regulations • Activities and agreements with trade unions • Established and uniform rules for the use of the Social Benefits Fund • Ensuring compliance with labor law by training for management and continuous monitoring of working time records • Procedures and instructions for hiring new employees • Benefits system for employees (private medical care, co-financing for sports activities) • Co-financing of education for employees • Cyclical survey of employees' opinions • Eurocash Group values - clearly defined and communicated to employees • Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics • Work results management system • Annual employee development assessments • Talent development programs (Management Trainee and Sales & Operational Trainee)

		• E-learning platform with numerous employee trainings • External training according to the needs of given roles / functions / departments • Anti-mobbing policy • Activity in social media
Employees' health and safety	• Risk of accidents at work • Risk of fire and other accidents that may endanger the life and health of employees • The risk of access to unauthorized facilities that may endanger the safety of employees • Risk of assault on employees in the field and branches • Risk of occupational diseases (work at the computer, work in a warehouse, etc.)	• Internal health and safety procedures and instructions • Systematic checks on compliance with health and safety procedures and instructions • Health and safety training for employees • Systematic training on emergency actions (e.g. trial evacuations in case of fires, etc.) • Devices and means ensuring safety in crisis situations (fire, evacuation, etc.) • Providing AED (defibrillator) devices in the Group's facilities with a large number of employees • Protection against access by third parties and protection of objects • Ensuring the physical protection of employees and facilities • Systematic training in first aid • A program to increase driving safety • Co-financing for sport activities and private medical care • Functioning of sports clubs enabling integration and recreation of employees
Food Quality and Safety	• Risk of marketing food that is not tested, of dubious quality or does not meet legal standards • The risk of food being placed on the market after the expira-tion date • Risk of breaking the cold chain for fresh products • Risk of inadequate storage and transport of food products	• The implemented HACCP food safety program • IFS, BRC, ISO 22000 certifications and audits conducted by external entities in relation to the EC Group • Internal analysis and quality audits in distribution centers and branches • A dedicated team of food quality con-trollers covering geographically all re-gions of activity

	• Risk of inadequate disposal of overdue, defective or damaged products • Risk of non-compliance with sanitary requirements	• OWDP (General Terms of Supply of Products) regulating cooperation with suppliers in the field of quality and food transport • In the case of own brand products - systematic audits at manufacturers' factories • Complaint process regarding both returns from customers and suppliers
Social and business environment	• Risk of stopping the development of entrepreneurship • Risk of stopping the development of local communities due to the lack of local entrepreneurship development • Risk of cessation of activity by local entrepreneurs (due to, for example, strong competition) • Risk of failure to comply with legal provisions • Risk of unauthorized/unlawful disclosure of personal information • Risk of selling alcohol for resale to recipients without valid alcohol concessions • Risk of cooperation with counterparties unreliable in the tax context • Risk of unfair business practices applied by the Group's employees	• Entrepreneurship Academy (training, post-graduate studies for clients and franchisees, etc.) • Innovative business tools - eurocash.pl platform • Offering various business cooperation solutions (several franchise networks, new concepts of retail stores, etc.) • Applying good business practices • Support for equal treatment of entrepreneurs by producers ("Equals in business") • Satisfaction surveys of clients/ entrepreneurs from cooperation with the Eurocash Group • Dedicated Compliance function in the EC Group (compliance with legal regulations) • Dedicated functions related to susta-inable development and documents defining the Group's priorities in the field of CSR • Dedicated function to meet the requirements of GDPR - a separate team, procedures and instructions (in accordance with the requirements of the Act) • On-going and systematic monitoring of legal regulations and adaptation of activities to their requirements • Continuous monitoring and verification of the possession of valid alcohol licenses at recipients to whom such goods are sold for resale

		• The ban on trading on non-commercial Sundays • Verification of contractors' credibility • Cooperation regulated by contracts with producers and suppliers • Cooperation with the Large 3+Family Union • Employees' participation in charitable initiatives, e.g. charitable events, collections and actions for those in need
Natural environment	• Risk of contamination or poisoning of the environment • Risk of excessive CO_2 emissions • Risk of uncontrolled energy consumption in buildings and the transport fleet • Risk of generating waste unfavorable to the environment • Risk of a significant amount of waste (e.g. damage, food processing) • Risk of improper waste and secondary raw materials segregation	• Energy efficiency audits • Introduction of a fleet of hybrid cars • Introduction of the eco-driving program • Monitoring fuel consumption, driving style and emissions • Continuous improvement of the efficiency of the logistics chain • Continuous optimization of loss management in logistics • Cooperation with food banks • Waste segregation and management of recyclable materials

3.4 Note on seasonality

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

4.1 Principles applied in the preparation of annual consolidated financial statements

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

Accounting policy used to prepare financial statement was presented in a point 2 of additional information to the consolidated financial statement of Eurocash Group for the 2019 and was applied to all periods presented in the financial statement.

4.2 Eurocash Group: Financial and Operational Highlights

Table 6: Eurocash Group: External sales of goods by distribution format for 2019

PLN m	2019	2018	Change %
Wholesale	**18 710.44**	**17 682,83**	**5.81%**
Cash&Carry	4 592.12	4 474.74	2.62%
Tobacco	6 756.36	5 894.02	14.63%
Distribution	6 869.52	6 827.62	0.61%
Food Service	478.27	476.36	0.40%
Other	14.17	10.09	40.49%
Retail	**5 904.81**	**4 947.12**	**19.36%**
Delikatesy Centrum	2 215.31	2 096,32	5.68%
Supermarkety własne	3 206.61	2 404.95	33.33%
Delikatesy Centrum Own	842.29	761.75	10.57%
EKO	840.67	808.36	4.00%
Mila i Inne	1 523.66	834.85	82.51%
Inmedio	482.90	445.84	8.31%
Projects	**104.56**	**50.94**	**105.25%**
Eurocash Group	**24 719.81**	**22 680.90**	**8.99%**

Wholesale

- In 2019 external sales of goods in Wholesale segment amounted to PLN 18 710.44 m and increased by 5.81% YoY.
- EBITDA in 2019 amounted to PLN 666.77 m. EBITDA before IFRS16 in 2019 amounted to PLN 441.90 m comparing to PLN 404.06 m in 2018. Increase of EBITDA was attributable to high dynamic of LFL in Cash&Carry segment as well as high growth of sales in tobacco distribution format.
- LFL sales growth (same number of stores) in Eurocash Cash&Carry stores in 2019 amounted to 2.62%.
- The number of Eurocash Cash&Carry stores at the end of 2019 amounted to 180.
- The number of abc stores amounted to 8 985 at the end of 2019.
- Number of partnership or franchise stores organized by companies belonging to Eurocash Group (Groszek, Euro Sklep, Lewiatan and PSD) amounted to 5 133 stores as of the end of 2019.
- Sales of cigarettes Tobacco & Impulse distribution format in terms of volume amounted in 2019 to 11 316 m pieces and increased by 12.70% YoY.
- Sales of cigarettes in terms of value increased by 15.9% in 2019.

Retail

- Sales of goods realized by Retail segment in 2019 amounted to PLN 5 904.81 m and increased by 19.36% YoY. Sales increase was driven by full 12 month period of Mila chain sales, which was acquired in the end of May 2018 as well as solid organic growth of own supermarkets and Inmedio newsagents.
- In 2019 EBITDA amounted to PLN 264.75 m. In 2019 EBITDA before IFRS16 amounted to PLN 132.59 m while in 2018 it amounted to PLN 107.44 m. Increase of EBITDA was attributable to accomplishment of EKO chain stores integration and further sales increase of Delikatesy Centrum.
- LFL growth of wholesale sales realized by Eurocash to „Delikatesy Centrum" franchise stores amounted to 3.67% in 2019.
- LFL growth of retail sales of "Delikatesy Centrum" franchise stores amounted to 3.58% in 2019.
- LFL dynamic of retail sales in 2019 amounted in Inmedio stores to 4.92% YoY.
- Number of Small Supermarkets at the end of 2019 amounted to 1 565, including 989 Franchise stores and 576 Own stores.
- Number of total "Delikatesy Centrum" stores at the end of 2019 amounted to 1 351.
- Number of Inmedio stores at the end of 2019 amounted to 450 stores.

Projects

- Sales of goods realized by Projects segment in 2019 amounted to PLN 104.56 m comparing to PLN 50.94 m in 2018. Sales increase was connected to Duży Ben chain of stores which entered the expansion phase with 77 stores at the end of 2019. Kontigo number of stores reached 30 at the end of 2019 and abc on wheels ended the year with 86 stores.
- In 2019 EBITDA amounted to PLN -40.24 m. In 2019 EBITDA before IFRS16 amounted to PLN -47.20 m comparing to PLN -36.51 m in 2018. Result of the segment was impacted by further expansion costs of all formats.

Others

In 2019 EBITDA amounted to PLN -97.20 m. In 2019 EBITDA before IFRS16 amounted to PLN -97.26 m comparing to PLN -56.38 m in 2018.

Table 7: Eurocash Group: Operating segments adjusted results in 2019 YTD (IFRS16)

1Q YTD 2019 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	4 108.16	1 327.40	15.73	0.00	**5 451.30**
EBIT	32.77	-6.25	-12.75	-23.47	**-9.69**
(EBIT margin %)	0.80%	-0.47%	-81.06%	0.00%	**-0.18%**
EBITDA	100.72	52.02	-10.73	-20.65	**121.37**
(EBITDA margin %)	2.45%	3.92%	-68.23%	0.00%	**2.23%**

2Q YTD 2019 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	8 994.66	2 825.92	39.00	0.00	**11 859.59**
EBIT	140.08	13.32	-24.67	-57.02	**71.72**
(EBIT margin %)	1.56%	0.47%	-63.24%	0.00%	**0.60%**
EBITDA	277.72	129.29	-19.54	-49.95	**337.52**
(EBITDA margin %)	3.09%	4.58%	-50.10%	0.00%	**2.85%**

3Q YTD 2019 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	14 081.56	4 349.15	66.22	0.00	**18 496.92**
EBIT	249.14	25.87	-36.54	-82.44	**156.04**
(EBIT margin %)	1.77%	0.59%	-55.18%	0.00%	**0.84%**
EBITDA	455.03	203.13	-28.63	-72.80	**556.73**
(EBITDA margin %)	3.23%	4.67%	-43.24%	0.00%	**3.01%**

4Q YTD 2019 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	18 710.44	5 904.81	104.56	0.00	**24 719.81**
EBIT	361.85	49.85	-53.08	-114.10	**244.52**
(EBIT margin %)	1.93%	0.84%	-50.76%	0.00%	**0.99%**
EBITDA	666.77	264.75	-40.24	-97.20	**794.08**
(EBITDA margin %)	3.56%	4.48%	-38.48%	0.00%	**3.21%**

Table 8: Eurocash Group: Operating segments results in 2019 YTD (before IFRS16)

1Q YTD 2019 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	4 108.16	1 327.40	15.73	0.00	**5 451.30**
EBIT	27.99	-10.75	-12.82	-23.47	**-19.06**
(EBIT margin %)	0.68%	-0.81%	-81.51%	0.00%	**-0.35%**
EBITDA	52.80	13.32	-11.99	-20.66	**33.46**
(EBITDA margin %)	1.29%	1.00%	-76.23%	0.00%	**0.61%**

2Q YTD 2019 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	8 994.66	2 825.92	39.00	0.00	**11 859.59**
EBIT	130.46	4.53	-24.81	-57.02	**53.17**
(EBIT margin %)	1.45%	0.16%	-63.60%	0.00%	**0.45%**
EBITDA	179.62	52.66	-22.35	-49.98	**159.95**
(EBITDA margin %)	2.00%	1.86%	-57.32%	0.00%	**1.35%**

3Q YTD 2019 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	14 081.56	4 349.15	66.22	0.00	**18 496.92**
EBIT	235.14	12.47	-36.85	-82.44	**128.32**
(EBIT margin %)	1.67%	0.29%	-55.65%	0.00%	**0.69%**
EBITDA	309.65	85.19	-33.03	-72.85	**288.96**
(EBITDA margin %)	2.20%	1.96%	-49.88%	0.00%	**1.56%**

4Q YTD 2019 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	18 710.44	5 904.81	104.56	0.00	**24 719.81**
EBIT	341.71	34.00	-53.25	-114.10	**208.36**
(EBIT margin %)	1.83%	0.58%	-50.93%	0.00%	**0.84%**
EBITDA	441.90	132.59	-47.20	-97.26	**430.03**
(EBITDA margin %)	2.36%	2.25%	-45.14%	0.00%	**1.74%**

Table 9: Eurocash Group: Operating segments results in 2018 YTD (before IFRS16)

1Q YTD 2019 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	3 970.21	969.33	12,05	0,00	**4 951,59**
EBIT	19.79	3.40	-11,67	-18,62	**-7,10**
(EBIT margin %)	0.50%	0.35%	-96,84%	0,00%	**-0,14%**
EBITDA	46.10	19.04	-10,68	-14,85	**39,61**
(EBITDA margin %)	1.16%	1.96%	-88,65%	0,00%	**0,80%**

2Q YTD 2019 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	8 561.43	2 085.01	23.89	0.00	**10 670.32**
EBIT	104.61	15.64	-22.04	-37.69	**60.53**
(EBIT margin %)	1.22%	0.75%	-92.26%	0.00%	**0.57%**
EBITDA	157.27	50.13	-20.20	-30.55	**156.64**
(EBITDA margin %)	1.84%	2.40%	-84.59%	0.00%	**1.47%**

3Q YTD 2019 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	13 333.65	3 501.74	35.93	0.00	**16 871.32**
EBIT	207.69	4.28	-30.53	-69.41	**112.03**
(EBIT margin %)	1.56%	0.12%	-84.97%	0.00%	**0.66%**
EBITDA	287.01	61.77	-27.71	-59.31	**261.77**
(EBITDA margin %)	2.15%	1.76%	-77.12%	0.00%	**1.55%**

4Q YTD 2019 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	17 682.83	4 947.12	50.94	0.00	**22 680.90**
EBIT	298.36	26.32	-40.01	-70.30	**214.38**
(EBIT margin %)	1.69%	0.53%	-78.54%	0.00%	**0.95%**
EBITDA	404.06	107.44	-36.51	-56.38	**418.61**
(EBITDA margin %)	2.29%	2.17%	-71.67%	0.00%	**1.85%**

4.3 Profit and Loss Account – profitability analysis

Table 10: Eurocash Group: Summary of 2019 Financial Performance

PLN m	2019	2019 before IFRS16	2018	Change % (before IFRS16)
Sales revenues (traded goods, materials)	24 852.24	24 852.24	22 832.89	8.84%
Gross profit (loss) on sales	3 242.98	3 242.98	2 881.88	12.53%
Gross profitability on sales (%)	13.05%	13.05%	12.62%	0.43 p.p.
EBITDA	794.08	430.03	418.61	2.73%
(EBITDA margin %)	3.20%	1.73%	1.83%	-0.10 p.p.
EBIT	244.52	208.36	214.38	-2.81%
(EBIT margin %)	0.98%	0.84%	0.94%	-0.10 p.p.
Gross profit	113.42	140.00	155.55	-10.00%
Net Income	79.13	100.65	111.65	-9.85%
(Net profitability %)	0.32%	0.41%	0.49%	-0.08 p.p.

Table 11: Eurocash Group: Normalized 2019 Financial Performance (before IFRS16)

PLN m	2019	2018	Change %
One-off items	**14.77**	**44.75**	
PayUp disposal	22.75*	74.76	
Provision on restructuring costs	0.00	-27.00	
Costs of Mila process	0.00	-3.01	
Sushi 2 Go write-off	-7.98	0.00	
EBITDA normalized**	**415.26**	**373.86**	**11.07%**
(Normalized EBITDA margin %)	1.67%	1.64%	0.03 p.p.
EBIT normalized**	**193.59**	**169.62**	**14.13%**
(Normalized EBIT margin %)	0.78%	0.74%	0.04 p.p.
Net profit normalized**	**85.88**	**66.90**	**28.37%**
(Normalized net profitability %)	0.35%	0.29%	0.06 p.p.

*bonus on meeting the terms of the contract with PEP
**excluding impact of the one-offs

Consolidated sales of Eurocash Group in 2019 amounted to PLN 24 852.24 m and increased by 8.84% YoY. Sales growth was driven mainly by Wholesale segment (PLN +1 028 m in 2019) and further development of Retail segment (PLN +958 m in 2019).

Gross margin on sales realized by Eurocash Group in 2019 increased by 0.43 p.p. YoY and amounted to 13.05%. In 2019 EBITDA amounted to PLN 794.08 m. In 2019, EBITDA before IFRS16 amounted to PLN 430.03 m and increased by 2.73% YoY. The growth of EBITDA was attributable to better performance of Wholesale segment. Other impact was one-offs in 2018 which amounted to PLN 44.75 m: sales of PayUp PLN 74.76 m, provision on restructuring costs PLN -27.00 m and costs of Mila reorganization process PLN -3.01 m.

The net profit in 2019 amounted to PLN 79.13 m. Net profit in 2019 before IFRS16 amounted to PLN 100.65 m and decreased by 9.85% YoY. Decrease of net profit was attributable to one-offs, which was higher in 2018.

EBITDA normalized in 2019 amounted to PLN 415.26 m compared with PLN 373.86 m previous year which means an increase of 11.07%. In 2019 there was one-offs regarding additional earn out from agreement with PEP in connection with fulfilling the terms of the deal of PayUp sales in amount of PLN 22.75 m and write-off of Sushi 2 Go PLN -7.98 m. EBITDA increase was primarily related to the improvement of the wholesale segment's financial results, which were partially off-set by the results of the retail segment being in the process of reorganization and integration.

4.4 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 below:

Table 12: Eurocash Group: Mix of Assets

PLN m	31.12.2019	%	31.12.2018	%
Non-current assets (long-term)	**4 912.61**	**62.30%**	**3 006.01**	**50.01%**
Goodwill	1 850.00	37.66%	1 783.65	59.34%
Intangible assets	323.91	6.59%	327.75	10.90%
Property, plant and equipment	766.20	15.60%	790.20	26.29%
Investment real property	1 801.03	36.66%	-	0.00%
Investment property	0.94	0.02%	0.96	0.03%
Investments in equity accounted investees	24.62	0.50%	27.53	0.92%
Other long-term investments	7.06	0.14%	3.62	0.12%
Long-term receivables	14.32	0.29%	20.50	0.68%
Deferred tax assets	122.90	2.50%	50.47	1.68%
Other long-term prepayments	1.61	0.03%	1.34	0.04%
Current assets (short-term)	**2 972.40**	**37.70%**	**3 004.90**	**49.99%**
Invetories	1 271.27	42.77%	1 292.00	43.00%
Trade receivables	1 404.89	47.26%	1 343.42	44.71%
Current tax receivables	0.81	0.03%	1.37	0.05%
Other short-term receivables	111.96	3.77%	133.22	4.43%
Other short-term financial assets	2.93	0.23%	-	0.00%
Short-term prepayments	33.86	1.14%	38.32	1.28%
Cash and cash equivalents	146.67	4.93%	196.56	6.54%
Fixed assets classified as held for sale	-	0.00%	-	0.00%
Total assets	**7 885.01**	**100.00%**	**6 010.91**	**100.00%**

PLN m	31.12.2019	%	31.12.2018	%
Equity	**963.40**	**12.22%**	**1 036.41**	**17.24%**
Equity attributable to Owners of the Company	**896.86**	**93.11%**	**975.04**	**94.08%**
Share capital	139.16	14.45%	139.16	13.43%
Treasury shares	-	0.00%	-	0.00%
Reserve capital	596.71	61.94%	594.12	57.32%
Treasury shares reserve	-	0.00%	-	0.00%
Hedging reserve	(5.33)	-0.55%	(7.64)	-0.74%
Option for purchase/selling the shares	(69.76)	-7.24%	(57.36)	-5.53%
Retained earnings	236.20	24.52%	306.76	29.60%
Non-controlling interests	116.33	70.42%	197.11	19.02%
Profit (loss) for the period	69.86	29.58%	109.64	10.58%
Non-controlling interests	66.42	6.89%	61.37	5.92%
Non-current liabilities	**1 560.36**	**22.54%**	**79.52**	**1.60%**
Long-term loans and borrowings	-	0.00%	-	0.00%
Long-term financial liabilities	0.07	0.00%	3.00	3.78%
Long-term lease liabilities	1 527.02	97.86%	-	0.00%
Other long-term liabilities	4.13	0.26%	63.94	80.41%
Deferred tax liabilities	19.81	1.27%	5.95	7.49%
Employee benefits	7.34	0.47%	5.68	7.14%
Provisions	1.98	0.13%	0.94	1.19%
Current liabilities	**5 361.25**	**77.46%**	**4 894.98**	**98.40%**
Loans and borrowings	648.79	12.10%	542.75	11.09%
Short-term financial liabilities	21.10	0.39%	32.75	0.67%
Short-term lease liabilities	297.63	5.55%	-	0.00%
Trade payables	3 794.79	70.78%	3 813.38	77.90%
Current tax liabilities	49.23	0.92%	55.19	1.13%
Other short-term payables	191.30	3.57%	110.66	2.26%
Current employee benefits	147.72	2.76%	111.24	2.27%
Provisions	210.70	3.93%	229.00	4.68%
Liabilities	**6 921.61**	**87.78%**	**4 974.50**	**82.76%**
Total equity and liabilities	**7 885.01**	**100.00%**	**6 010.91**	**100.00%**

Table 13: Eurocash Group: Mix of Liabilities

Loan Agreements, Warranties and Collaterals

Loan agreements

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

Loans granted

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

Sureties and guarantees

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

Issue of Securities and Bonds in 2019

Issue of shares

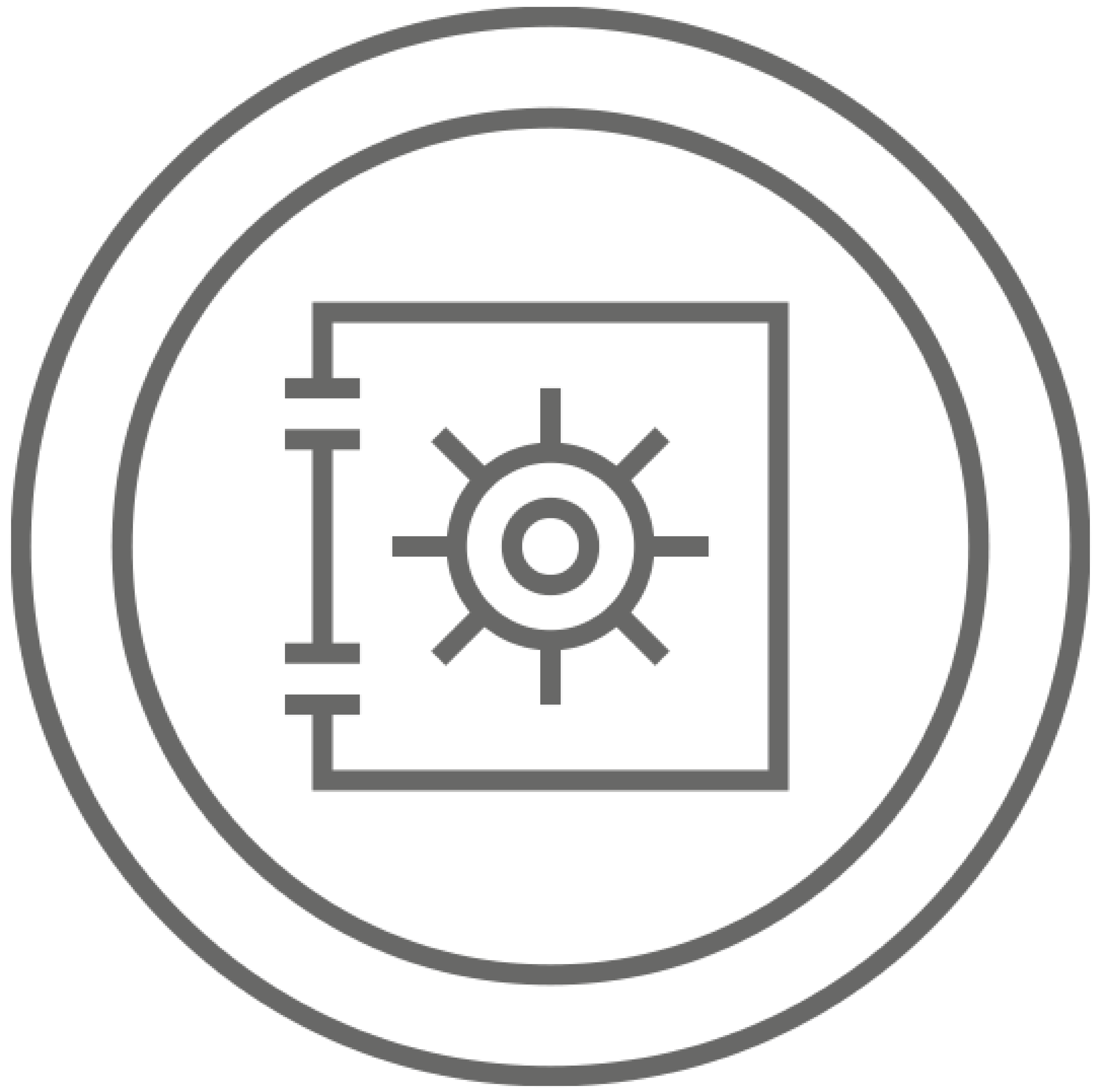
In the period between 1st January 2019 and 31st December 2019 no shares were issued

Issue of securities and bonds

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

4.5 Key Off-balance Sheet Items

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



4.6 Eurocash Group Cash Flow Analysis

Cash flow Statement

Table 14: Eurocash Group: Cash flows for 2019

PLN m	2019	2019 before IFRS16	2018
Operating cash flow	683.15	319.22	498.77
Gross profit (loss)	113.42	140.00	155.55
Depreciation	549.56	221.68	204.24
Change in working capital	(14.26)	(14.26)	175.50
Other	34.43	(28.19)	(36.52)
Cash flow from investments	(299.87)	(299.87)	(378.88)
Cash flow from financing activities	(433.17)	(69.25)	(125.93)
Total cash flow	(49.89)	(49.89)	(6.04)

Total cash flow in 2019 amounted to PLN -49.89 m, while the operating cash flow reached PLN 683.15 m. Cash flow from investments amounted to PLN -299.87 m and cash flow from financing activities amounted in 2019 to PLN -433.17 m.

Total cash flow before IFRS16 in 2019 amounted to PLN -49.89 m, while the operating cash flow reached PLN 319.22 m. Cash flow from investments amounted to PLN -299.87 m and cash flow from financing activities amounted in 2019 to PLN -69.25 m.

Net debt of Eurocash Group at the end of December 2019 amounted to PLN 2 347.94 m. Before IFRS16 net debt amounted to PLN 528.09 m comparing to PLN 381.95 m at the end of December 2018. The net debt/EBITDA ratio calculated according to the rules of bank covenants was 1.23 and met the requirements.

Eurocash Group maintained stable level of cash generation from operations cash flow in connection with growth of its scale. It allows to continue investment strategy (including M&A) and keep net debt/EBITDA at stable level.

Table 15: Eurocash Group: Consolidated Working Capital Ratios

Working capital rotation

Turnover in days	2019	2019 before IFRS16	2018
1. Inventories turnover	18.67	18.67	20.65
2. Trade receivables turnover	20.63	20.63	21.48
3. Trade liabilities turnover	(64.10)	(64.10)	(69.77)
4. Operating cycle (1+2)	39.30	39.30	42.13
5. Cash conversion (4+3)	(24.79)	(24.79)	(27.64)

Cash conversion cycle in 2019 amounted to -24.79 days compared to -27.64 days in 2018. Changes of rotation of each part of working capital was mainly attributable to different sales mix together with fast growing Tobacco distribution format and the introduction of control mechanisms to adjust the rotation of liabilities to the requirements of the Act on amending certain laws to reduce payment congestion.

Evaluation of Funds Management

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

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

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

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

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

4.7 Investment Activity

Major investments Completed in 2019

In 2019, the largest share in capital expenditure had expenses related to Wholesale investments which amounted to 43.6%. 1/4 of the expenditure was generated by Retail segment with share of 26.2% and Capital investment with 24.2% share.

Table 16: Eurocash Group: Key Investment Directions for Eurocash Group in 2019

PLN m	2019	2018
Capital investment (including acquisition of shares and stock)	74.41	340.09
Wholesale	134.35	98.48
Retail	80.68	75.32
Projects	18.06	5.31
Others	0.30	0.00
Total investment outlays	307.81	519.21

Assessment of Capacity to Carry out Anticipated Investments

Key investments planned for 2020 are related to:

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

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

4.8 Key Contributors to 2019 Financial Performance of Eurocash Group

Equity Changes

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

Dividend Payment

In accordance with Resolution No. 5 adopted by the Annual General Meeting on 9th May 2019, persons who were shareholders of the Company on 29th May 2019, received on 19th June 2019 a dividend of PLN 1.00 per one Company share. The total dividend paid amounted to PLN 139 163 286.

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

5.1 Information on Court Proceedings

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

5.2. Information on Significant Agreements

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

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

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

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

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

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

Agreement with suppliers exceeding 10% of total sales revenues

In 2019, the only supplier with a share in total sales revenues of Eurocash Group exceeding 10% was Philip Morris Polska Distribution Sp. z o.o., whose share amounted to 14.3%.

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

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

5.5. Forecasts Publication

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

5.6. Changes in Key Management Principles

Appointment of Members of the Supervisory Board

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

Appointment of Member of the Management Board

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

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

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

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

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

5.8. Information on Registered Audit Company

The consolidated financial statements of Eurocash Group for 2019 were audited by Ernst & Young Audyt Polska sp. z o.o. sp. k. on the basis of a contract concluded on 9th May 2019.

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

Table 17: Eurocash Group: Capital expenditures for audit and review of financial statements

thousands of PLN	2019	2018
Audit of financial statements	480.0	500.0
Review of financial statements	270.0	251.0
Other services	-	1.2
Total capital expenditures	**750.0**	**752.2**

6.1. Indication of Corporate Governance Rules Applicable to Issuer

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

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

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

6.2. Shareholders structure

Shareholders with Direct or Indirect Substantial Shareholding in Eurocash

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

Table 18: Shareholders with Direct or Indirect Substantial Shareholding in Eurocash

	31.12.2019				13.12.2018			
Shareholder	Number of shares	Share in share capital (%)	Number of shares	Share in total number of votes	Number of shares	Share in share capital (%)	Number of shares	Share in total number of votes
Luis Amaral (directly and indirectly*)	61 287 778	44.04%	61 287 778	44.04%	61 287 778	44.04%	61 287 778	44.04%
Azvalor Asset Management S.G.I.I.C. S.A.	11 593 954	8.33%	11 593 954	8.33%	13 605 690	9.78%	13 605 690	9.78%
Others	66 281 554	47.63%	66 281 554	47.63%	64 269 818	46.18%	64 269 818	46.18%
Total	**139 163 286**	**100.00%**	**139 163 286**	**100.00%**	**139 163 286**	**100.00%**	**139 163 286**	**100.00%**

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

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

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

Table 19: Shares in the company held by members of the management board and their rights to subscription

	Eurocash shareholding		Share subscription rights	
Management Board	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Luis Amaral (directly and indirectly through Politra B.V. s.a.r.l.)	61 287 778	61 287 778	0	0
Rui Amaral	347 025	347 025	0	0
Katarzyna Kopaczewska	330 000	330 000	0	0
Arnaldo Guerreiro	325 500	325 500	0	0
Pedro Martinho	875 803	875 803	0	0
Jacek Owczarek*	70 750	70 750	0	0
Przemysław Ciaś	1 000	1 000	0	0

*indirectly through persons closely related

Table 20: Shares in the company held by supervisory board and rights to subscription

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

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

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

Restrictions regarding Exercising Right to Vote

Each share of Eurocash gives the right to one vote at the Shareholders' Meeting. The Articles of Association do not provide for any restrictions as to exercising the right to vote carried by Eurocash shares, such as restrictions to exercising the right to vote by the holders of a defined part or number of votes, time restrictions related to exercising the right to vote or provisions pursuant to which (with the Company's cooperation) capital interests related to securities are separated from holding securities.

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

Restrictions regarding Transfer of Ownership Rights to Securities of Issuer

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

Agreements which May Result in Changes of Blocks of Shares Held

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

6.3 Diversity in the workplace

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

6.4. The parent's governing bodies

Management Board

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

The Company's management body is the Management Board. The Management Board of the Parent was composed of seven members in 2019. The composition of the Management Board at the day of December 31st 2019 is presented below.

Table 21: The composition of the Management Board at the end of 2019

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

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

Powers of the Management Board

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

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

I determine the long- and medium-term development strategy as well as main objectives of the Company operations, increase the Company value to the shareholders and report them to the Supervisory Board, review the level of achievement of such goals and modify them if necessary,

II define the Company's financial goals,

III implement and follow through the long- and medium-term development strategy as well as the main Company's operating objectives and financial goals,

IV analyze major investment projects and related methods of funding,

V determine the principles of HR and remuneration policies, including:

- appointment of the Company's key management staff,
- determining principles of employment, remuneration, and HR policies, as well as conducting a periodical analysis of the HR situation in the Company,

VI establish the Company's organizational structure,

VII approve the annual and/or long-term Company's budget,

VIII determine an internal division of duties and responsibilities for Management Board Members,

IX set down Rules and other internal regulations of the Company unless the provisions of law or Articles of Association provide otherwise,

X take decisions on matters of exceptional importance as well as matters and transactions which may constitute material risk to the Company in line with the justified opinion of the Management Board Member,

XI request that the Supervisory Board submit an appraisal of draft resolutions which are to be presented to Shareholders at the Shareholders' Meeting,

XII any other actions which go beyond the ordinary management of the Company.

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

The Management Board may adopt resolutions at the Management Board meeting or outside the Management Board meeting in writing or as facilitated by remote communication tools. Resolutions of the Management Board are adopted by a simple majority of votes cast by Management Board members. Minutes of the resolutions are taken. Proper notification of the meeting to all Management Board members is required for the validity of the Management Board resolutions. Detailed Management Board procedures are defined in Management Board Rules adopted by the Management Board and approved by the Supervisory Board. The content of the most up-to-date Management Board Rules is available at: https://grupaeurocash.pl/assets/media/eurocash-by-laws-of-the-management-board2672858461.pdf

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

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

Supervisory Board

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

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

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

Table 22: The composition of the Supervisory Board in 2019

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

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

I Mr. Jacek Szwajcowski, Hans Joachim Körber and Ewald Raben as Supervisory Board members, appointed by the Company's General Shareholders' Meeting, and

II Mr. João Borges de Assunção, Ms. Alicja Kornasiewicz, Mr. Renato Arie and Jorge Mora appointed by Politra B.V. s.a.r.l., who submitted representation which meet criteria of an independent Supervisory Board member.

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

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

Powers of the Supervisory Board

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

I review and assessment of the Management Board's report on the Company's activities and the Company's financial statements for their consistency with accounting books and documentation, as well as the actual state of affairs;

II assessment of the Management Board's recommendations concerning distribution of profit or loss cover;

III submitting to the General Shareholders' Meeting an annual written report on the results of the assessment referred to above;

IV appointing and recalling, as well as suspending Members of the Management Board for an important reason;

V issuing opinions on planned amendments to the Company's Articles of Association;

VI approving annual budgets drafted by the Management Board and amendments to such budgets no later than by 30 November of each calendar year;

VII issuing opinions on granting loans or financial assistance as well as concluding agreements with any Member of the Management Board which fall outside an ordinary course of business;

VIII electing an expert auditor to examine the Company's financial statements;

IX adopting a uniform text of the Articles of Association;

X other matters which require a resolution of the Supervisory Board under binding legal regulations or other provisions of the Articles of Association.

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

XI decisions concerning joint-ventures with other entities;

XII decisions concerning mergers with other entities as well as acquisitions of other entities or enterprises;

XIII incurring any liability in excess of PLN 100,000,000 and the encumbrance on the Company's assets with a value in excess of PLN 150,000,000 if such transactions have not been provided for in the annual budget;

XIV sale or lease or transfer of the Company's assets with the value in excess of EUR 1,000,000 or its zloty equivalent if such a transaction has not been provided for in the annual budget;

XV issuing opinions concerning the determination and changes in remuneration levels or terms of employment of Management Board Members;

XVI raising, issue, taking up or disposal of shares in another subsidiary entity;

XVII development and modification of any stock option scheme or an incentive scheme of a similar nature for the Company's management and employees;

XVIII the conclusion of a material agreement by the Company with a related entity as interpreted by the regulations concerning the submission of current and periodical information by issuers whose shares are quoted on the Stock Exchange in Warsaw S.A. except for standard transactions concluded on market terms as part of company operations entered into by the Company with its subsidiary entity in which the Company is a majority shareholder.

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

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

I any action by the Company or any of its related entity that benefits the Members of the Management Board;

II election of an expert auditor to examine the Company's financial statements;

III issuing opinions on granting loans or financial assistance as well as concluding agreements with any Member of the Management Board which fall outside an ordinary course of business;

IV granting the Management Board the approval to limit or waive in full the priority rights (pre-emptive rights) of the Company's shareholders with respect to any of the Company's shares to be issued within the limits of the authorized capital.

The detailed procedure of operations of the Supervisory Board is set out by the Supervisory Board Rules. The content of applicable Supervisory Board Rules is available at the following address: https://grupaeurocash.pl/assets/media/by-laws-of-the-supervisory-board-of--eurocash-sa-2018.pdf

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

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

Supervisory Board Committees

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

I the Audit Committee,

II the Remunerations Committee,

III the Nomination Committee.

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

a) monitoring:

I the financial reporting process;

II the effectiveness of the Company's internal control and risk management systems and internal audit, including in the scope of the financial reporting process; and

III financial revision, in particular the audit including all motions and findings of the Audit Supervision Commission (Polish: Komisja Nadzoru Audytowego) arising from the control in the audit firm;

b) supervising the submission of financial information by the Company in the periodical reports, forecasts, etc,

c) supervising the activities of external auditors of the Company,

d) presenting the recommendations to appoint an audit firm to the Supervisory Board in compliance with the adopted policy and procedure of the appointment, where audit firm cannot render its services for longer than 5 years; controlling and monitoring of the independence of the statutory auditor and the audit firm, in particular if the audit firm provides the Company with other services than audit,

e) supervising the relationship with the statutory auditor, including in particular:

I assessing the statutory auditor's independence, remuneration and any nonauditing work for the Company,

II granting consent to render by the statutory auditor additional permitted services, other than audit

III determining the involvement of the external auditor in respect of the contents and publication of financial reporting,

f) informing the Supervisory Board on results of the of the audit and how the audit contributed to the integrity of financial reporting and on the role of the Audit Committee in the audit process;

g) each year evaluating internal control system functioning and the significant risk management system functioning as well as evaluating its own functioning in a form of an annual report of its deliberations, findings and relationship with the external auditor (including in particular his independence) to be included as a part of the Supervisory Board's annual report to be presented at the Ordinary General Assembly;

h) preparing procedures of appointment of the audit firm by the Company

i) preparing the policy of appointment of the audit firm for an audit of the Company's yearly separate and consolidated financial statements;

j) preparing policy for rendering by the audit firm performing audit, its affiliated entities and members of its network of the permitted services other that the audit

k) submit recommendations to ensure the integrity of financial reporting by the Company.

The Audit Committee in period from 1st January 2019 to 9th May 2019 was composed of the following members: Ms. Alicja Kornasiewicz (Chairman), Mr. Francisco José Valente Hipólito dos Santos (Member) and Jacek Szwajcowski (Member). The Audit Committee in period from 9th May 2019 to 31st December 2019 was composed of the following members: Mr. Jorge Mora (Chairman), Francisco José Valente Hipólito dos Santos (Member) and Ewald Raben (Member).
Responsibilities of the Remunerations Committee include as follows:

I reporting to the Supervisory Board of the existence of a remuneration policy for the Management Board, which is known to the Remunerations Committee in sufficient detail, including (a) the remuneration structure, (b) the amount of fixed remuneration, (c) the shares and/or options and/or other variable remuneration components and other forms of remuneration, as well as the performance criteria and the application thereof by Management Board Members,

II each year, submitting a proposal for the Supervisory Board's approval for an appraisal concerning the compliance of the remuneration policy for the Management Board and application thereof with regard to the desired standards of corporate governance,

III ensuring the disclosure to the Supervisory Board of the remuneration of the Management Board resulting from an implementation of the remuneration policy,

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

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

Responsibilities of the Nomination Committee include as follows:

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

b. to opine on candidates for Supervisory Board members elected by the General Assembly proposed by the shareholders of the Company,

c. to identify and recommend candidates for the Management Board members appointed by the Supervisory Board, in connection with existing or expected vacancy in the Management Board (including the Management Board member's or President's end of the term);

d. each year evaluating its own functioning in a form an annual report of its activities to be included as a part of the Supervisory Board's annual report to be presented at the Ordinary General Assembly.

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

The rules governing the operations of these committees are regulated in detail in Section VII of the Supervisory Board Rules available at the following address: https://grupaeurocash.pl/assets/media/by-laws-of-the-supervisory-board-of-eurocash-sa-2018.pdf

General Shareholders' Meeting

The manner of conduct applicable to the General Shareholders' Meeting and its fundamental powers follow directly from the provisions of law which were partly incorporated in the Statutes and By-laws of the Company's General Shareholders' Meeting. Both the Statutes and the By-laws of the General Shareholders' Meeting are available on the Company's website at the following link: https://grupaeurocash.pl/assets/media/by-laws-of-the-general-assembly-of-eurocash-sa-2018.pdf

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

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

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

I review and approval of the Management Board Report on the operations of the Company and financial statements for the previous financial year, and granting approval to members of the Company's governing bodies for the performance of their duties;

II decisions concerning claims to remedy damage inflicted at the time of the Company's establishment or in connection to its management by the Management Board;

III sale or lease of the enterprise or an organized part thereof as well as the creation of limited property rights therein;

IV creation of the Company's capitals and funds and their allocation;

V approval of the Company's long-term strategic plans;

VI adopting resolutions on the distribution of profit and loss cover;

VII amending the Articles of Association;

VIII) increasing and decreasing the Company's share capital;

IX dissolution or liquidation of the Company;

X authorization for the Company to enter into a standby or firm commitment underwriting agreements;

XI taking decisions in other matters which rest within the exclusive competence of the General Meeting pursuant to the provisions of the Commercial Companies Code or other laws or pursuant to the Company's Statutes.

6.5. Discussion of Amendments to Issuer's Statutes

A resolution adopted by the Shareholders' Meeting concerning amendments to the Statutes must be preceded by an appraisal issued by the Company's Supervisory Board. Amendments to the provisions of the Statutes which consist in material changes to the subject matter of the Company's business operations without share buyout from shareholders who do not consent to the amendments requires that the resolution of the General Shareholders' Meeting be adopted by the majority of ¾ votes cast in the presence of shareholders who represent at least 50% of the Company's share capital.

Amendments to the provisions of the Statutes which concern a decrease in the Company's share capital requires that the resolution of the General Shareholders' Meeting be adopted by the majority of ¾ votes.

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

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

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

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

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

6.7 Information on Employee Shares Control System

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

Incentive programs assume for issuance of up to 4.200.000 shares (approximately 3% of the current number of shares). The period of exercise of the options (subscription rights for convertible bonds) is 3-5 years. The issue price of shares in Incentive Programs will be equal to the average price of Eurocash shares on the Warsaw Stock Exchange S.A. on the day of quotations immediately preceding the resolution of the General Meeting on the establishment of these Programs. The programs cover a total of 6 tranches of 700.000 shares:

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

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

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

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

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

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

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

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

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

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

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

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

The Company conducts an annual review of both business strategy and plans. The budgeting process is supported by the Group's middle and top management. The budget and business plan drafted for the subsequent year is adopted by the

Management Board of the Controlling Entity and approved by the Supervisory Board. During the year, the Management Board of the Controlling Entity analyses financial performance against budget adopted in line with the Group's adopted accounting policy.

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

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

6.9 Information regarding Audit Committee

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

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

- Mr. Francisco José Valente Hipólito dos Santos – has a third-level education with a specialist area in Business Management. He completed his studies in 1984 at the Portuguese Catholic University in Lisbon (Universidade Católica Portuguesa). Between 1999 and 2003 he was a member of the management board of Barclays Bank in Portugal. In years 2003 and 2006 he was managing Marketing Department in Banco Espirito Santo PLC and between 2007 and 2011 he was director in Savings Department of that bank. In the period of 2011 – 2012 Mr Santos was Managing Director in Banco BEST PLC. Since the beginning of 2013 he was a Non-managing Director and management board advisor to international cases in Banco Espirito Santo PLC until August 2014, when he assumed the function of Compliance Officer at Novo Bonco, which he held until June 2017. Then he held managerial positions in many companies from various sectors, including the real estate, travel and FMCG sector. Mr. Francisco José Valente Hipólito dos Santos since 2013, he is a member of the Eurocash Supervisory Board.

- Alicja Kornasiewicz – acting as Chairman of the Audit Committee till 9th May 2019, has knowledge and skills in accounting and auditing financial statements. Ms. Alicja Kornasiewicz has PhD in economics, graduate of Harvard Business School in Boston and Executive Management Programme (INSEAD) in Paris. The auditor. First representative from Central and Eastern Europe at the Foundation of the International Accounting Standards Commitee (IASC). Former Member of the Examination Board of the National Chamber of Statutory Auditors, member of the Securities and Stock Exchange Commission.

• Mr. Jorge Mara – he graduated from the University of Miami with a Business degree in 1989 and from the Wharton School of Business with an MBA in 1993. He has over 25 years of experience working in International corporate advisory and private equity investing. Most recently he was Vice-Chairman and Senior Managing Director of Macquarie Capital in the USA. Prior to that he was the Group Head of Financial Sponsor coverage at Lazard and before that a Managing Director at UBS. Currently he is active on several not-for-profit Boards and in Venture Capital investing.

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

• Mr. Jacek Szwajcowski – entrepreneur, founder and president of the management board of Pelion Healthcare Group. The company runs retail, wholesale and hospitals supply. Pelion Helthcare Group exists on the market for 23 years and is currently one of the biggest groups on the healthcare market in Poland and Lithuania, with approximately USD 2bln sales, hiring 7 000 employees and managing the net of warehouses and 1 400 pharmacies. Mr Jacek Szwajcowski finished studies at the Mechanical Faculty of the Technical University in Łódź and has over 21 years of experience in managing pharmaceutical sector. Since the year 2000 Mr Jacek is a member of World Economic Forum in Davos. Since 2001 he is also a board member of Polish Business Roundtable. In 2005 he became a member of the international organization – Forum of Young Global Leaders.

• Mr. Ewald Raben – he studied at the College of Transport and Logistics in Rotterdam. In 1991 he set up a family business in Poland. During 26 years of activity he has created a European company dealing not only with road transport but providing comprehensive services including warehousing, sea and air transport and logistics of fresh products at controlled temperatures. Today Raben Group employed almost 10 000 employees, had a total 1 150 000 sqm of warehouse capacity, and the company's global turnover reached EUR 1 billion. Group branches are located in 12 European countries: the Czech Republic, Estonia, the Netherlands, Germany, Hungary, Lithuania, Latvia, Poland, Slovakia, Ukraine, Romania and Italy. Mr. Ewald Raben is the winner of E&Y Entrepreneur of the Year 2012 competition and the winner of 2018 LEO Award in the "Entrepreneur of the Year" category by Deutsche Verkehrs-Zeitung.

4. The policy of selecting an audit firm

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

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

teams and to benefit from the knowledge of experts in the specific sectors;

- remuneration.

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

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

7.1 About Eurocash Group

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

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

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

7.1.1 Eurocash Group Business Model

Eurocash Group's wholesale trade network consists of 180 Cash&Carry warehouses, under which a network of „abc" partner stores is organized (8 985 local grocery stores). In franchise and partner networks cooperating with Eurocash Dystrybucja (Groszek, Euro Sklep S.A., Lewiatan, PSD, Gamma), 5 133 stores were associated.
The retail network included 1 565 small supermarkets, including 1 351 operating under the Delikatesy Centrum brand and 450 Inmedio and Inmedio Trendy press salons.

Table 23: Eurocash Group's wholesale and retail trade network

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

*Groszek, Euro Sklep S.A., Lewiatan, PSD (Gamma).
Source: Eurocash

7.1.2. Eurocash Group Management Structure

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

Chart 14. The structure of the Eurocash Group and its affiliated companies as at December 31st 2019:

Luis Amaral
(through Politra B.V. s.a.r.l)

44.04%

EUROCASH S.A.

WHOLESALE

- 75% Eurocash Serwis Sp. z o.o.
- 100% DEF Sp. z o.o.
- 100% AMBRA Sp. z o.o.
- 100% Polska Dystrybucja Alkoholi Sp. z o.o.
- 100% ECA Detal Sp. z o.o.
- 100% Cerville Investments Sp. z .o.o.
- 100% 4Vapers Sp. z .o.o.

FRANCHISE SYSTEMS (WHOLESALE)

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

RETAIL

- 100% Eurocash Franczyza Sp. z o.o.
- 51% Inmedio Sp. z o.o.
- 50% Firma Rogala Sp. z o.o.
- 50% FHC-2 Sp. z o.o.
- 50% Madas Sp. z o.o.
- 100% EKO Holding S.A. w likwidacji
- 100% Delikatesy Centrum Sp. z o.o.
- 100% Partner Sp. z o.o.
- 75% Podlaskie Delikatesy Centrum Sp. z o.o.

PROJECTS

- 100% Kontigo Sp. z o.o.
- 100% Duży Ben Sp. z o.o.
- 100% ABC na kołach Sp. z o.o.
- 100% Eurocash Food Sp. z o.o.
- 74% Sushi 2 Go Sp. z o.o.
- 51% Deliktesy Centrum Podlasie Sp. z o .o.
- 100% Eurocash Convenience Sp. z o.o.

OTHER

- 44% Frisco S.A.
- 100% Eurocash Trade 1 Sp. z o.o.
- 100% Eurocash Trade 2 Sp. z o.o.
- 100% Premium Distributors Sp. z o.o.
- 100% Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.
- 100% Eurocash VC3 Sp. z o.o.
- 100% Domelius Limited (Cypr)
- 100% Mila Holding S.A.
- 100% Investpol 700 Mila spółka akcyjna sp.j.
- 100% Koja-Invest Sp. z o.o.
- 100% Detal Finanse Sp. z o.o.
- 100% EC VC7 Sp. z o.o.
- 100% Akademia Umiejętności Eurocash Sp. z o.o.
- 100% Delikatesy Centrum Sklepy Sp. z o.o.
- 100% Delikatesy Centrum 2 Sp. z o.o.
- 100% Delikatesy Centrum 3 Sp. z o.o.
- 100% Delikatesy Centrum 4 Sp. z o.o.

7.1.3. Eurocash – patron of Polish entrepreneurship

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

7.1.4. "Equal in Business" ranking

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

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

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

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

7.1.5. Heroes of Innovation

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

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

7.2 Responsible Management

7.2.1. Ethics and values

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

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

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

7.2.2.Eurocash Group Values

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

Responsibility

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

Accountability

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

Teamwork

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

Transparency

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

Profit sharing

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

Client service attitude

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

Work enjoyment

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

Entrepreneurial spirit

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

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

7.3 Eurocash Group Strategy

7.3.1 Strategic assumptions

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

The Group implements its strategy by:

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

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

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

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

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

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

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

7.3.2 Corporate Social Responsibility Strategy

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

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

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

More information on activities in these areas will be available in the „Eurocash Group Impact Report 2019", available at www.grupaeurocash.pl.

7.3.3 Risk Management System

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

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

Table 24: Risk management system

Risk area	Risk examples	Elements of the risk management system - methods of monitoring and controlling
Ethics and counteracting corruption	• Risk of corruption in relations with contractors • Risk of fraud against employees • Risk of fraud against contractors	• Eurocash Group's Code of Ethics • Eurocash Group values - clearly defined and communicated to employees • Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics • Anti-mobbing policy • Training for employees on Eurocash Group values and ethics rules • Instructions for accepting gifts from contractors (giving gifts for charity)
Human resources/ workplace	• Risk of losing employees • Risk of non-compliance with labor law by employees • Risk of low employee involvement • Risk of mobbing and other abuses towards employees • Risk of unfair assessment of employees' professional development • Risk of lack of professional development opportunities for employees • Risk of low employee satisfaction with work	• Procedures and instructions regulating the workplace, including work regulations, remuneration and employee bonuses regulations • Activities and agreements with trade unions • Established and uniform rules for the use of the Social Benefits Fund • Ensuring compliance with labor law by training for management and continuous monitoring of working time records • Procedures and instructions for hiring new employees • Benefits system for employees (private medical care, co-financing for sports activities) • Co-financing of education for employees • Cyclical survey of employees' opinions • Eurocash Group values - clearly defined and communicated to employees • Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics • Work results management system • Annual employee development assessments • Talent development programs (Management Trainee and Sales & Operational Trainee) • E-learning platform with numerous employee trainings • External training according to the needs of given roles / functions / departments • Anti-mobbing policy • Activity in social media
Employees' health and safety	• Risk of accidents at work • Risk of fire and other accidents that may endanger the life and health of employees	• Internal health and safety procedures and instructions • Systematic checks on compliance with health and safety procedures and instructions

	• The risk of access to unauthorized facilities that may endanger the safety of employees • Risk of assault on employees in the field and branches • Risk of occupational diseases (work at the computer, work in a warehouse, etc.)	• Health and safety training for employees • Systematic training on emergency actions (e.g. trial evacuations in case of fires, etc.) • Devices and means ensuring safety in crisis situations (fire, evacuation, etc.) • Providing AED (defibrillator) devices in the Group's facilities with a large number of employees • Protection against access by third parties and protection of objects • Ensuring the physical protection of employees and facilities • Systematic training in first aid • A program to increase driving safety • Co-financing for sport activities and private medical care • Functioning of sports clubs enabling integration and recreation of employees
Food Quality and Safety	• Risk of marketing food that is not tested, of dubious quality or does not meet legal standards • The risk of food being placed on the market after the expiration date • Risk of breaking the cold chain for fresh products • Risk of inadequate storage and transport of food products • Risk of inadequate disposal of overdue, defective or damaged products • Risk of non-compliance with sanitary requirements	• The implemented HACCP food safety program • IFS, BRC, ISO 22000 certifications and audits conducted by external entities in relation to the EC Group • Internal analysis and quality audits in distribution centers and branches • A dedicated team of food quality controllers covering geographically all regions of activity • OWDP (General Terms of Supply of Products) regulating cooperation with suppliers in the field of quality and food transport • In the case of own brand products - systematic audits at manufacturers' factories • Complaint process regarding both returns from customers and suppliers
Social and business environment	• Risk of stopping the development of entrepreneurship	• Entrepreneurship Academy (training, post-graduate studies for clients and franchisees, etc.)
	• Risk of stopping the development of local communities due to the lack of local entrepreneurship development • Risk of cessation of activity by local entrepreneurs (due to, for example, strong competition) • Risk of failure to comply with legal provisions • Risk of unauthorized/unlawful disclosure of personal information • Risk of selling alcohol for resale to recipients without valid alcohol concessions • Risk of cooperation with counterparties unreliable in the tax context • Risk of unfair business practices applied by the Group's employees	• Innovative business tools - eurocash.pl platform • Offering various business cooperation solutions (several franchise networks, new concepts of retail stores, etc.) • Applying good business practices • Support for equal treatment of entrepreneurs by producers ("Equals in business") • Satisfaction surveys of clients/ entrepreneurs from cooperation with the Eurocash Group • Dedicated Compliance function in the EC Group (compliance with legal regulations) • Dedicated functions related to sustainable development and documents defining the Group's priorities in the field of CSR • Dedicated function to meet the requirements of GDPR - a separate team, procedures and instructions (in accordance with the requirements of the Act) • On-going and systematic monitoring of legal regulations and adaptation of activities to their requirements • Continuous monitoring and verification of the possession of valid alcohol licenses at recipients to whom such goods are sold for resale • The ban on trading on non-commercial Sundays • Verification of contractors' credibility • Cooperation regulated by contracts with producers and suppliers • Cooperation with the Large 3+Family Union • Employees' participation in charitable initiatives, e.g. charitable events, collections and actions for those in need

Natural environment	• Risk of contamination or poisoning of the environment • Risk of excessive CO2 emissions • Risk of uncontrolled energy consumption in buildings and the transport fleet • Risk of generating waste unfavorable to the environment • Risk of a significant amount of waste (e.g. damage, food processing) • Risk of improper waste and secondary raw materials segregation	• Energy efficiency audits • Introduction of a fleet of hybrid cars • Introduction of the eco-driving program • Monitoring fuel consumption, driving style and emissions • Continuous improvement of the efficiency of the logistics chain • Continuous optimization of loss management in logistics • Cooperation with food banks • Waste segregation and management of recyclable materials

7.4 Employees

7.4.1 Employees

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

Table 25: Eurocash employment overview

	Condition of employment						Type of employment									Number of employees
	Fixed-term contract			Indefinite contract			Full-time contract			Half-time contract			Others			
	Total	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male	
Wholesale	2 375	982	1 393	8 225	3 422	4 803	10 275	4 144	6 131	84	58	26	241	202	39	10 600
Retail	3 017	2 679	338	3 918	3 498	420	6 784	6 048	736	92	78	14	59	51	8	6 935
Projects	224	169	55	137	83	54	345	243	102	7	3	4	9	6	3	361
Others	48	41	7	155	135	20	202	175	27	1	1	0	0	0	0	203
Total	5 664	3 871	1 793	12 435	7 138	5 297	17 606	10 610	6 996	184	140	44	309	259	50	18 099

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

Table 26: Eurocash employment rotation

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

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

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

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

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

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

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

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

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

7.4.2 Good working condition

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

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

Benefits financed entirely by Eurocash Group:
- Summer picnics
- Christmas meetings
- Children's Christmas packets
- Prepaid cards for Christmas
- Prize-winning contests
- Drawing contest
- Scholarship programme

Benefits available for a small surcharge:
- Medicover medical care for the employee and his family
- Group insurance
- Sports cards
- Summer camps for children

Eurocash Group knows that health is the most important thing, therefore Eurocash Group employees and their closest relatives have access to medical care provided by Medicover - 22% of employees use it. Medical prophylaxis and physical activity are widely promoted within the Company. Employees and their loved ones can use several different sports cards. Every year they also take part in charity sports events, their participation is financed by the Company. Charity runs have become a permanent fixture in the Eurocash Group's sporting events calendar: Wings For Life World Run, Company Run and Poland Business Run. There are sports leagues in the company and a special budget has been allocated for their operation. At the beginning of the bicycle season employees can use a free bicycle service. In 2019, a series of meetings called #Nasze Zdrowie (Our Health) was introduced, they were aimed at spreading healthy habits in the workplace. They focused, among others, on the issues of correct posture and healthy spine - that is why employees could take advantage of rehabilitation massages.

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

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

7.4.3 Safety – common matter!

Eurocash Group as the leader of the wholesale market and one of the largest logistics operators in Poland takes care of the safety of employees in the workplace. On the list of company priority goals in the area of safety is the annual reduction of accidents at work.
In the reporting period, the situation was as presented in the table below.

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

Table 27: Safety in Eurocash

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

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

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

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

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

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

7.4.4 Development and commitment

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

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

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

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

Table 28: Training per hours in Eurocash

Average number of hours of training that employees completed in the reporting period, broken down by:	
Sex	
Female	1.99
Male	2.82
Employment category	
Senior staff	14.45
Middle management	5.44
Specialists	5.74
Others employees	1.00

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

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

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

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

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

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

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

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

Table 29: Employee assessment by Evaluation 360/180

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

7.4.5. Employee volunteering

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

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

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

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

7. 5 Quality without compromise for everyone

7.5.1 Quality without compromise for everyone

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

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

7.5.2 Our suppliers

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

Cooperation with food suppliers for our Eurocash Group always start from the so-called preliminary food safety audit, which allows to assess a potential partner. This audit is carried out on the basis of an audit list prepared by Eurocash experts. Further negotiations are conducted only with those suppliers who will obtain a positive result of the pre-audit. In addition, periodical audits of suppliers are carried out already during cooperation.

7.5.3 Product quality and safety

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

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

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

- Distribution Centres Fresh-ECCL:
- DC Komorniki
- DC Błonie Piorunów
- DC Krosno
- DC Sosnowiec
- DC Wrocław
- DC Krągola

- Distribution Centres CC (without meat):
- DC CC Pińczów
- DC CC Komorniki
- DC CC Płońsk

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

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

7.5.4 Own Brand

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

The tasks carried out under this initiative are:

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

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

In 2019, the following was carried out:
- 119 audits of own brand suppliers,
- 1769 research on own brand products,
- 1003 verified and approved passports, labels and stickers.

7.5.5 Availability of products

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

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

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

7.6 We use less, we don't waste

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

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

7.6.1 Green infrastructure

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

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

7.6.2 Green transport

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

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

7.6.3 We do not waste!

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

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

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

7.6.4 Emissions

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

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

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

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

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

Direct emissions (scope 1) of gross greenhouse gases in tonnes (t) CO_2 or equivalent unit	11 028.80
Including due to the type of emission source:	
Combustion in stationary sources	7 141.00
Combustion volatile	3 887.80

Table 33: Fleet emissions at Eurocash Group in 2019

	PB 95	ON	LPG	Total
Fuel consumption (liters)	3 452 661	6 004 935	21 926	9 479 523
CO_2 emissions (tonnes)	8 044.70	16 033.18	32.67	24 110.55

7.7 Eurocash Skills Academy

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

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

Eurocash Skills Academy is the largest comprehensive educational and training program in Poland supporting Polish independent retail stores associated in franchise and partner networks of the Eurocash Group (abc, Delikatesy Centrum, Euro Sklep, Gama, Groszek, Lewiatan, Duży Ben and Kontigo).

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

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

Eurocash Skills Academy in numbers:

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

1st Pillar of the Academy – educational platform www.akademiaeurocash.com.pl

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

In 2019, the Academy additionally launched AUE TV internet television, which gathered over 40 user-friendly e-trainings in the form of short and inspirational instructional videos. Ready and practical training and implementation paths for 5 workstations in the store have also been introduced, which enable quick and comprehensive training of a new employee.

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

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

2nd Pillar of the Academy – workshops

Workshops are a practical part of the training program implemented by the Eurocash Skills Academy. This is a great opportunity to supplement knowledge and develop skills. Each year, the Academy trains about 7 000 grocery store owners and employees from all grocery stores management areas in over 70 locations throughout Poland.
The most popular workshop topics:
• Meat and sausage stand,
• Customer service,
• Losses in the store,
• Personnel Management,
• Fruit and vegetables stand,
• Store profitability,
• Merchandising.
New – development workshops:
• Negotiations,

• Effective communication,
• Assertiveness,
• Managing yourself in time.

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

3rd Pillar of the Academy – educational conferences

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

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

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

4th Pillar of the Academy – postgraduate studies

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

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

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

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

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

According to the Central Statistical Office of Poland (GUS) data, every sixth employment offer in vocational schools, technical colleges, and post-secondary schools were intended for salesmen in 2019. Lack of hands for work is a burning problem for entrepreneurs running grocery stores. To help franchisees of the Eurocash Group recruit skilled and motivated employees, the Academy has been developing, under the auspices of the Education Development Center, a project to promote the profession of seller among students of industry schools since 2018.

The project aims to support young people in determining their professional predispositions and career path planning. It also responds to the need to develop cooperation between sectoral schools and employers - owners of grocery stores.

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

Project „Succession"

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

7.8 Eurocash Group Foundation

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

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

An important assumption of the Program is to promote responsibility for one's development and an entrepreneurial outlook on life among young people: the scholarship is intended for educational purposes, but it is the grantee himself/herself who decides how and on what activities he/she will spend it.

Scholarship program „Make your dreams come true":

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

Table 34: Number of scholarships

EC = Eurocash Group's employees children
FB = franchise employees children

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

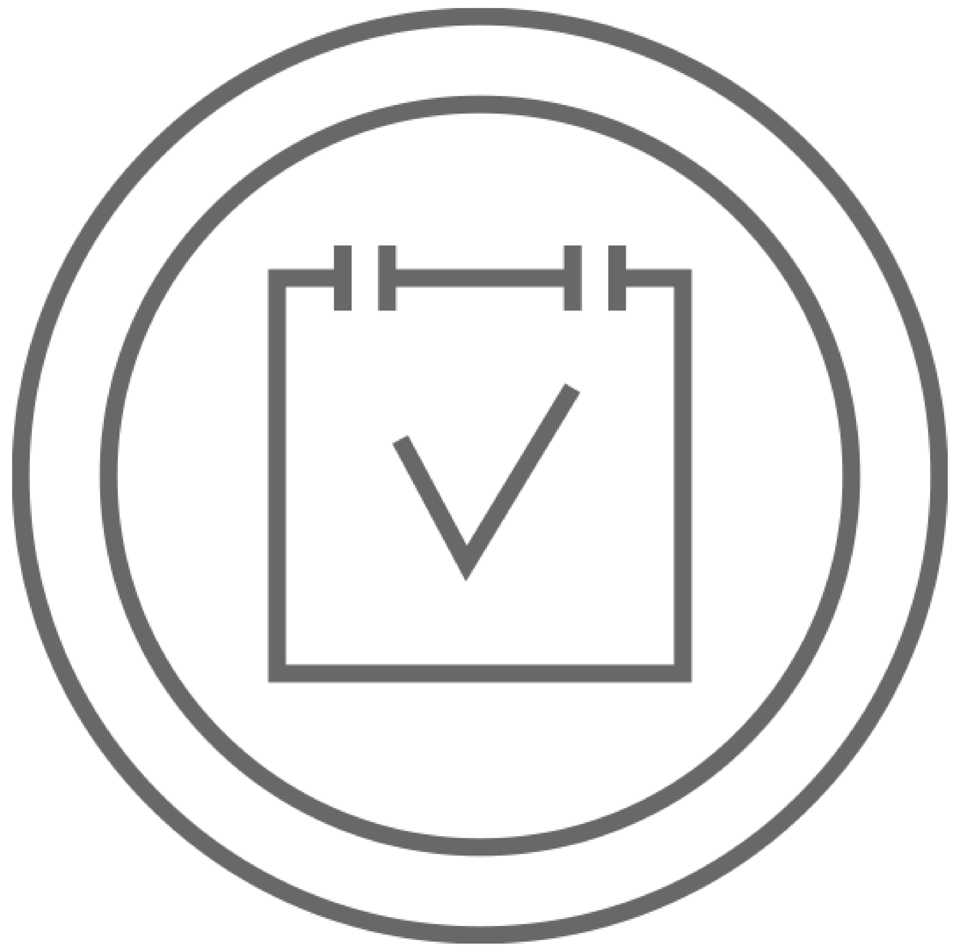
Foundation is fully financed by Eurocash Group. The Foundation authorities are volunteers.

Detailed information on non-financial issues can be found in the Eurocash Group Impact Report for 2019, which will be available at www.grupaeurocash.pl.

8.1 Appointment of Entity Qualified to Audit Financial Statements

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

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



APPENDIX A: Financial Ratios Definitions

Gross profit margin on sales:	ratio of gross sales profit to net sales revenue
EBITDA margin:	ratio of EBITDA (operating profit plus depreciation) to net sales revenue
Operating profit margin:	ratio of operating profit (EBIT) to net sales revenue
Net profit margin on sales:	ratio of net profit to net sales revenue
Inventories turnover:	the ratio of balance of stocks at the end of period to net sales for period multiplied by the number of days in the period
Trade receivables turnover:	the ratio of balance of trade receivables at the end of period to net sales for period multiplied by the number of days in the period
Trade liabilities turnover:	the ratio of balance of trade liabilities at end of period to costs of goods sold for period multiplied by the number of days in the period
Operating cycle:	the sum of stocks turnover and receivables turnover
Cash conversion cycle:	the difference between operating cycle and liabilities turnover
Net debt:	the sum of long and short term loans, borrowings and financial liabilities lessened by cash and cash equivalents

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

SIGNATURES OF MANAGEMENT BOARD MEMBERS

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

PART C

SELECTED CONSOLIDATED FINANCIAL DATA

FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

KOMORNIKI, 12th March 2020

Selected consolidated financial data

SELECTED CONSOLIDATED FINANCIAL DATA

	for the period from 01.01.2019 to 31.12.2019 PLN	for the period from 01.01.2018 to 31.12.2018 PLN	for the period from 01.01.2019 to 31.12.2019 EUR	for the period from 01.01.2018 to 31.12.2018 EUR
Sales	24 852 240 696	22 832 888 398	5 782 280 292	5 356 940 712
Operating profit (loss)	244 522 216	214 375 483	56 892 093	50 295 728
Profit (loss) before income tax	113 422 816	155 551 250	26 389 673	36 494 674
Profit (loss) for the on continued operations	79 125 593	111 652 270	18 409 863	26 195 310
Profit (loss) for the period	79 125 593	111 652 270	18 409 863	26 195 310
Net cash from operating activities	683 148 760	498 766 972	158 945 733	117 018 270
Net cash used in investing activities	(299 865 827)	(378 883 036)	(69 768 689)	(88 891 687)
Net cash used in financing activities	(433 171 924)	(125 925 433)	(100 784 533)	(29 544 010)
Net change in cash and cash equivalents	(49 888 991)	(6 041 496)	(11 607 490)	(1 417 426)
Weighted average number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Weighted average diluted number of shares	139 163 286	139 163 286	139 163 286	139 163 286
EPS (in PLN / EUR)	0,50	0,79	0,12	0,18
Diluted EPS (in PLN / EUR)	0,50	0,79	0,12	0,18
Average PLN / EUR rate*			4,2980	4,2623

	as at 31.12.2019 PLN	as at 31.12.2018 PLN	as at 31.12.2019 EUR	as at 31.12.2018 EUR
Assets	7 885 006 965	6 010 906 273	1 851 592 571	1 397 885 180
Non-current liabilities	1 560 356 149	79 517 996	366 409 804	18 492 557
Current liabilities	5 361 251 600	4 894 979 758	1 258 953 058	1 138 367 386
Equity	963 399 217	1 036 408 518	226 229 709	241 025 237
Share capital	139 163 286	139 163 286	32 678 945	32 363 555
Number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Diluted number of shares	141 963 286	142 069 536	141 963 286	142 069 536
Book value per share (in PLN / EUR)	6,45	7,01	1,51	1,63
Diluted book value per share (in PLN / EUR)	6,32	6,86	1,48	1,60
Dividends paid (in PLN / EUR) ***	143 380 084	4 310 520	33 669 152	1 002 447
Dividends paid per share (in PLN / EUR)	1,03	0,03	0,24	0,01
PLN / EUR rate at the end of the period**			4,2585	4,3000

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

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

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

PART D

AUDITOR’S OPINION & REPORT

KOMORNIKI, 12th March 2020

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Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.
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INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

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

Audit report on the annual consolidated financial statements

Opinion

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

In our opinion the consolidated financial statements:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the period from 1 January 2019 to 31 December 2019 in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union and the adopted accounting policies,

- are in respect of the form and content in accordance with legal regulations governing the Group and the Company's Statute.

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

Basis for opinion

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

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

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

Key audit matters

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

Key audit matter	How the matter was addressed in our audit
Revenue recognition	
Eurocash Group presents in the consolidated financial statements revenues from sale in total amounting PLN 24,852 million. Companies from the Eurocash Group sell goods to multiple clients using several sales channels dispersed over business units within a couple operational segments. Revenue is measured taking into account discounts, incentives and rebates earned by customers. The revenue is one of the key performance indicators for the management. Due to the multitude and variety of contractual terms and markets that companies from the Group operate, the revenue recognition determinants such as estimation of discounts, incentives and rebates recognized based on sales, as well as assessment of potential returns, transfer of risks and rewards and	Our audit procedures included understanding of the Group's revenue recognition accounting policies and assessment of compliance with IFRS 15 Revenue from Contracts with Customers, including identification of the contracts with customers and performance obligations within, as well as allocation of the transaction price to those performance obligations. We also assessed the Group's internal controls over sale process, timing and measurement of revenue recognition. We performed test of controls for selected, identified controls. We analyzed transactions taking place before and after the balance sheet date as well as credit notes and corrections issued after the year end date for the determination of revenue recognition period. We also gained understanding and analyzed key terms and conditions of the agreements with customers to

determination whether the particular company from the Group acts as agent or principal - are considered to be complex. Taking into account the scale of revenues as well as complexity of related estimates we assessed that area as key audit matter. The relevant disclosures are set out in point 2.28 of the accounting principles "Sales revenues" and note 27 "Sales revenues in the accounting period" to the consolidated financial statements.	assess whether amounts recognized as revenues were accurate and recognized in the correct period. We performed test of details, related to selected revenues accounts. We also considered the adequacy of the Group's disclosures in respect of revenue.
Recognition of bonuses, discounts and related receivables Eurocash Group presents in the consolidated financial statements costs of sales in total amounting PLN 21,609 million. Companies from the Group receive various types of vendor allowances and price reductions. Those settlements significantly affect of cost of sales. Majority of them are settled during the financial year while as at 31 December 2019, the position not yet settled with vendors amounted to approximately PLN 542 million. Bonuses, discounts and related settlements were significant for our audit as recognition of the cost reductions and related settlements requires management's judgement, including the nature and level of the relevant company's obligations under the purchase contracts, estimates with respect to fulfillment of purchase and sales volumes at the balance sheet date, as well as allocation of the settlements between inventory and cost of sales. Taking into account the scale of those settlements and complexity of the estimates, we assessed that area as a key audit matter. The relevant disclosures are set out in point 2.19 of the accounting principles "Trade receivables and other short-term receivables", in point 2.25 of the accounting principles "Short-term liabilities", in note 14 "Trade and other receivables" and note 21 "Trade and other payables" to the consolidated financial statements.	Our audit procedures included understanding of the Group's policies related to measurement of purchases and cost of sales and assessing compliance of those policies with applicable accounting standards. We also assessed the Group's internal controls over identification and measurement of contractually agreed obligations, and the allocation of them to inventory and cost of sales. We performed tests on transactions recorded during the year for contractual evidence on a sample basis. We also analysed the amounts open to vendors at the balance sheet date, based on confirmations with vendors, recalculations made based on contractual terms confirmed by vendors or reconciled to post year-end settlements, as well as cut-off tests for obligation fulfillment at the balance sheet date. Moreover, we evaluated reliability of management's estimates on the basis of retrospective review of the subsequent collections of allowances recognized in prior reporting period. We also considered the adequacy of the Group's disclosures in respect of costs of sales and related settlements.

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Impairment of goodwill and other intangible assets At 31 December 2019, the carrying value of goodwill and other intangible assets, including trademarks with indefinite useful life amounted to PLN 2,174 million and constituted 28% of the Group's total assets as of that date. The Group performed an impairment tests at 31 December 2019 of these assets based on the value in use estimation for identified relevant cash generating units to which goodwill and other intangible assets were allocated. Process of impairment assessment is complex and requires significant management judgement, in particular related to forecasted revenues, costs and cash flows, that depends on Group strategy future growth rates and discount rates, which are affected by expected future market and economic conditions. The assessment of impairment of goodwill and other intangible assets was significant to our audit due to their magnitude for the consolidated financial statements and as it involves judgment in making the significant assumptions related to cash flows forecasts. The Group's disclosures about relevant goodwill and intangible assets are included in point 2.22 of the accounting principles "Impairment of assets" and note 7 "Impairment tests" to the consolidated financial statements.	Our audit procedures included the understanding and evaluation of the impairment testing process, such as assessment of the management's allocation of the goodwill to an appropriate cash generating units not higher than segment, as well as assessment of assumptions and methodology used by the Group to arrive at estimates and verification of mathematical accuracy of the underlying calculations. Our procedures included: - 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 for the assessment of value in use, 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 of the model considering what change in assumptions could cause the carrying amount of the relevant cash generating unit to which goodwill or other intangible assets were assigned, to exceed its recoverable amount - the comparison of actual result to forecasts prepared by Company. We have assessed the disclosures related to the impairment tests goodwill and other intangible assets, including disclosures on sensitivity analysis.
Uncertain tax positions Companies from Eurocash Group take part in multiple transactions which may be subject to audit by tax authorities. Those include related-party transactions, such as purchase/ sale of trade goods, restructuring within the Eurocash Group, purchase of shares and intangible assets like goodwill and trademarks.	We gained our understanding of the process of preparation of the tax settlements by the companies from the Group and the related accounting policy, and evaluated the identification of key tax issues related to the activity of the companies from the Group. We have also gained understanding of the rationale for the Management's judgements made in relation to the uncertain tax positions, including

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Interpretation of settlements between related parties by external bodies (including tax authorities) may differ from the interpretation adopted by the Management Board. Effective from 15 July 2016, General Anti-Avoidance Rule (GAAR) was introduced to the polish tax law. GAAR is intended to prevent the creation and use of artificial legal arrangements to avoid payment of tax in Poland and is effective also with respect to transactions performed following its entry into force as well as transactions that were carried out before, but the benefits are being achieved after the date of its entry into force. Implementation of the above provisions results in increased scrutiny of tax authorities in relation to tax settlements, in particular in relation to group's restructurings and reorganizations, contributions etc. Due to complexity of the tax regulations the process interpretation of settlements between related parties is complicated and requires assumptions and judgements. Taking this into account, the interpretation taken by external authorities (including tax authorities), may differ from interpretation assumed by Management Board. In the current and previous reporting period, tax inspections and proceedings, including VAT and CIT, were initiated or lasted regarding the Company; the values associated with these tax audits are significant. Uncertainty of tax positions is related also to the complexity of the Eurocash Capital Group's legal structure and changing tax environment in which the Company and other companies from the Eurocash Group operate. Assessment of those uncertainties is complex and requires significant Management judgement in determining the corporate income tax and other tax provisions. Changes in assumptions of the positions that may be taken by tax authorities, can materially impact the level of tax liabilities included in the consolidated financial statements. The Group's disclosure about uncertain tax positions are included in point 2.33 of the accounting principles "Uncertainties related	reports of independent tax advisors. In particular, we evaluated the management's assessment of uncertainty over tax treatments, for which relevant interpretations, rulings and decisions, income tax practices, tax authorities examinations results are taken into consideration. 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. We assessed the management's assumptions related to the determination of the liabilities and provisions recorded in the consolidated financial statements or the rationale for the lack of recognition of liabilities, by obtaining written responses of the external tax advisors on the material tax exposures addressed to the Company. We also assessed disclosures related to the tax settlements, including uncertain tax positions in the consolidated financial statements.

to tax settlements" and note 25 "Income tax" to the consolidated financial statements.	
First application of IFRS 16 "Leasing" IFRS 16 'Leasing' ("IFRS 16") requires an analysis of contracts and business relationships, as well as a number of judgments and estimates related to determining, whether the contract is within the scope of IFRS 16 and how it should be covered in accordance with that standard (i.a. determine the scope of application new standard, lease periods, minimum leasing payments or discount rates). Therefore, the quantity and variety of contracts and the fact that the Group applied this standard to prepare the attached financial statements for the first time, it was considered to be the key audit matter. The Company's Management Board decided to implement IFRS 16 using a modified retrospective approach. As a result of the recognition of right-of-use assets and leasing liabilities, in connection with the first adoption of IFRS 16, there was an increase in the Group's assets reported in the statement of financial position by 1,802 million PLN as at 1 January 2019 compared to the data presented in the consolidated financial statements for the previous financial year. Disclosures relating to right-of-use assets and leasing liabilities related to the use of IFRS 16 are included in point 1.3 "Impact of new accounting standards", note 6 "Right-of-use assets" and note 24 „Lease liabilities" to the consolidated financial statements. The Group's disclosures relating to relevant accounting policies for leasing, including key judgments and estimates, are included in the point 2.10 accounting principles „Leasing".	As part of the audit of the consolidated financial statements, we analysed accounting policies for the recognition of contracts and business relationships falling within the scope of IFRS 16 and related relevant judgments and estimates, in particular regarding: - determining the scope of contracts subject to recognition determining the scope of contracts subject to recognition in accordance with IFRS 16; - the determination of minimum leasing payments; - term of leasing periods; - the determination of discount rates. In addition, our procedures also included, inter alia: - understanding the implementation process of IFRS 16, the understanding of the agreements within it and the assessment of key control mechanisms in this regard; - perform test of details for the sample of contracts to verify the accuracy of the parameters used for the calculation of the leasing liability and right-of-use assets; - analysis of the completeness of the identification of contracts falling within the scope of IFRS 16. In addition, we have assessed the adequacy of disclosures in consolidated financial statements with regard to the guidelines contained in IFRS 16, as well as on key judgments in the recognition of leasing contracts and the impact of the implementation of the new standard on the consolidated financial statements of the Group.

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

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

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the consolidated financial statements meet the requirements of the Accounting Act dated 29 September 1994 (the 'Accounting Act'). The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility for the audit of the consolidated financial statements

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

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control,

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,

- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Group to cease to continue as a going concern,

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation,

- we obtain sufficient appropriate audit evidence regarding the financial information of entities and business activities within the Group for the purpose of expressing an opinion on the consolidated financial statements. We are solely responsible for the direction, supervision and performance of the audit of the Group and we remain solely responsible for our audit opinion.

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

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

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

Other information, including the Directors' Report

The other information comprises the Directors' Report for the period from 1 January 2019 to 31 December 2019, the representation on the corporate governance and the representation on preparation of the statement on non-financial information, mentioned in article 55, section 2b of the Accounting Act as a separate element of the Directors' Report (jointly 'Other Information').

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

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

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

Auditor's responsibility

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

Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the consolidated financial statements.

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

Opinion on the Directors' Report

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

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 71 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (the 'Decree on current and periodic information'),

- is consistent with the information contained in the consolidated financial statements.

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

Opinion on the corporate governance application

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

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

Information on non-financial information

In accordance with the Act on Statutory Auditors, we confirm, that the Company has prepared a statement on non-financial information mentioned in article 55, section 2b of the Accounting Act as a separate element of the Directors' Report.

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

Representation on the provision of non-audit services

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

Appointment of the audit firm

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

Warsaw, 12 March 2020

Key Certified Auditor

Robert Klimacki
certified auditor
no in the register: 90055

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

PART E

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

KOMORNIKI, 12th March 2020

CONTENTS

GENERAL INFORMATION

1. INFORMATION ABOUT THE PARENT ENTITY

NAME

EUROCASH Spółka Akcyjna (Parent Entity)

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Non-specialized wholesale trade
(PKD 4690Z)

REGISTRATION COURT

District Court Poznań - Nowe Miasto and Wilda in Poznań, VIII Commercial Department of the National Court Register, KRS 0000213765

PERIOD FOR WHICH THE GROUP WAS ESTABLISHED

The duration of the parent company and entities comprising the Capital Group is indefinite

PERIOD COVERED BY THE FINANCIAL STATEMENTS

The reporting period started 1 January 2019 and ended 31 December 2019 and comparative period is the period from 1 January 2018 to 31 December 2018.
Consolidated statement of financial position has been prepared as at 31 December 2019, and the comparative figures are presented as at 31 December 2018.

2. BOARD OF THE PARENT ENTITY

2.1. MANAGEMENT BOARD OF THE PARENT ENTITY

As at 31 December 2019 the Parent Entity's Management Board consisted of the following members:

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

2.2. SUPERVISORY BOARD

As at 31 December 2019 the Parent Entity's Supervisory Board consisted of the following members:

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

2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

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

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

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01.01 TO 31.12.2019

	Note	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Sales		**24 852 240 696**	**22 832 888 398**
Sales of goods	27	24 719 807 498	22 680 894 721
Sales of services	27	127 140 587	147 571 330
Sales of materials	27	5 292 611	4 422 347
Costs of sales		**(21 609 265 689)**	**(19 951 009 127)**
Costs of goods sold		(21 604 354 212)	(19 947 588 994)
Costs of materials sold		(4 911 477)	(3 420 133)
Gross profit (loss)		**3 242 975 007**	**2 881 879 272**
Selling expenses	28	(2 633 807 687)	(2 346 015 922)
General and administrative expenses	28	(394 834 573)	(388 933 521)
Profit (loss) on sales		**214 332 746**	**146 929 828**
Other operating income	29	87 034 992	134 285 628
Other operating expenses	29	(56 845 522)	(66 839 973)
Operating profit (loss)		**244 522 216**	**214 375 483**
Financial income	30	36 307 202	35 915 044
Financial costs	30	(162 286 198)	(89 856 973)
Share in profits (losses) of equity accounted investees		(5 120 404)	(4 882 304)
Profit (loss) before tax		**113 422 816**	**155 551 250**
Income tax expense	25	(34 297 223)	(43 898 979)
Profit (loss) for the period		**79 125 593**	**111 652 270**
Attributable to:			
Owners of the Company		69 862 037	109 644 174
Non-controlling interests		9 263 556	2 008 096

EARNINGS PER SHARE

		PLN / share	PLN / share
Profit (loss) attributable to Owners of the Company		69 862 037	109 644 174
Profit (loss) for the period on continued and discontinued operations			
Weighted average number of shares	32	139 163 286	139 163 286
Weighted average diluted number of shares	32	139 163 286	139 163 286
Earnings per share			
- basic		0,50	0,79
- diluted		0,50	0,79

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01 TO 31.12.2019

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Profit (loss) for the period	**79 125 593**	**111 652 270**
Other comprehensive income for the period	2 310 742	(1 154 653)
Items that may be subsequently reclassified to profit or loss:		
- The result on hedge accounting with the tax effect:	2 310 742	(1 154 653)
Total comprehensive income for the period	**81 436 334**	**110 497 618**
Total Income		
Owners of the Company	72 172 779	108 489 521
Non-controlling interests	9 263 556	2 008 096
Total comprehensive income for the period	**81 436 334**	**110 497 618**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2019

Assets	Note	as at 31.12.2019	as at 31.12.2018	as at 01.01.2018
			restated*	restated*
Non-current assets (long-term)		**4 912 607 709**	**3 006 009 506**	**2 526 965 574**
Goodwill	4	1 850 000 695	1 783 646 478	1 401 336 787
Intangible assets	4	323 905 814	327 745 237	347 086 180
Property, plant and equipment	5	766 197 929	790 197 116	678 989 707
Right of use assets	6	1 801 034 427	-	-
Investment property	8	941 407	957 103	972 799
Investments in equity accounted investees	9	24 619 456	27 533 591	32 415 896
Other long-term investments	10	7 064 491	3 621 425	30 784 656
Long-term receivables	11	14 323 673	20 497 785	7 156 243
Deferred tax assets	26	122 904 027	50 465 787	26 316 764
Other long-term prepayments	12	1 614 790	1 344 982	1 906 541
Current assets (short-term)		**2 972 399 256**	**3 004 896 767**	**3 452 956 525**
Inventories	13	1 271 273 085	1 292 001 606	1 320 254 214
Trade receivables	14	1 404 893 545	1 343 421 596	1 682 841 291
Current tax receivables	14	808 002	1 370 241	11 584 927
Other short-term receivables	14	111 963 366	133 224 204	143 072 942
Other short-term financial assets	15	2 933 505	-	50 434 740
Short-term prepayments	16	33 857 892	38 320 268	42 168 063
Cash and cash equivalents	17	146 669 860	196 558 852	202 600 349
Total assets		**7 885 006 965**	**6 010 906 273**	**5 979 922 099**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2019

Equity and liabilities		as at 31.12.2019	as at 31.12.2018	as at 01.01.2018
			restated*	restated*
Equity		**963 399 217**	**1 036 408 518**	**1 030 005 400**
Equity attributable to Owners of the Company		**896 981 814**	**975 037 874**	**966 333 484**
Share capital	18	139 163 286	139 163 286	139 163 286
Reserve capital		596 712 165	594 118 608	586 929 351
Valuation equity of hedging transactions		(5 327 688)	(7 638 430)	(6 483 777)
Option for purchase/selling the shares		(69 761 777)	(57 363 613)	(54 712 448)
Retained earnings		236 195 828	306 758 023	301 437 071
Accumulated profit / loss from previous years		166 333 791	197 113 849	334 748 645
Profit (loss) for the period		69 862 037	109 644 174	(33 311 574)
Non-controlling interests		66 417 403	61 370 645	63 671 916
Liabilities		**6 921 607 748**	**4 974 497 754**	**4 949 916 699**
Non-current liabilities		**1 560 356 149**	**79 517 996**	**96 108 526**
Other long-term financial liabilities	23	70 671	3 003 350	4 932 920
Long-term lease liabilities	24	1 527 021 294	-	-
Other long-term liabilities	21	4 132 977	63 940 083	58 148 822
Deferred tax liabilities	26	19 806 994	5 954 698	25 430 471
Employee benefits	20	7 344 214	5 676 727	6 484 166
Provisions	20	1 980 000	943 138	1 112 147
Current liabilities		**5 361 251 600**	**4 894 979 758**	**4 853 808 173**
Loans and borrowings	22	648 790 562	542 754 634	317 781 175
Other short-term financial liabilities	23	21 098 739	32 754 903	249 437 574
Short-term lease liabilities	24	297 625 204	-	-
Trade payables	21	3 794 789 276	3 813 380 430	3 940 899 244
Current tax liabilities	21	49 233 587	55 191 844	7 717 339
Other short-term payables	21	191 296 725	110 656 630	93 693 875
Current employee benefits	20	147 720 291	111 240 638	102 599 975
Provisions	20	210 697 215	229 000 679	141 678 990
Total equity and liabilities		**7 885 006 965**	**6 010 906 273**	**5 979 922 099**

BOOK VALUE PER SHARE

*Note 1

		as at 31.12.2019	as at 31.12.2018	as at 01.01.2018
Equity attributable to Owners of the Company		**896 981 814**	**975 037 874**	**966 333 484**
Number of shares	31	139 163 286	139 163 286	139 163 286
Diluted number of shares	31	141 963 286	142 069 536	142 069 536
Book value per share		**6,45**	**7,01**	**6,94**
Diluted book value per share		**6,32**	**6,86**	**6,80**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01 TO 31.12.2019

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Cash flow from operating activities		
Profit (loss) before tax	**113 422 816**	**155 551 250**
Adjustments for:	**710 129 729**	**215 745 221**
Depreciation and amortization **	549 556 884	204 236 151
Share in profits (losses) of equity accounted investees	5 120 404	4 882 304
Valuation of motivational programm	5 880 000	5 880 000
Gain (loss) on sale of property, plant and equipment	15 148 486	8 502 672
Loss on sale of shares	-	(74 774 054)
Profit (loss) on exchange rates	(3 672 456)	-
Dividends received	(708 278)	(597 821)
Interest expenses	146 527 682	76 809 520
Interest received	(7 722 993)	(9 193 551)
Operating cash before changes in working capital	**823 552 545**	**371 296 471**
Changes in inventory	32 005 353	141 040 618
Changes in receivables	(40 124 170)	321 865 841
Changes in payables	(6 137 155)	(287 407 665)
Changes in provisions and employee benefits	29 853 618	34 839 914
Other adjustments	(213 559)	-
Operating cash	**838 936 632**	**581 635 179**
Interest received	3 943 184	3 456 622
Interest paid	(58 814 505)	(49 004 436)
Income tax paid	(100 916 552)	(37 320 392)
Net cash from operating activities	**683 148 760**	**498 766 972**
Cash flow from investing activities		
Aquisition of intangible assets	(79 891 373)	(31 580 902)
Proceeds from sale of intangible assets, property, plant and equipment	3 884 868	-
Aquisition of property, plant and equipment tangible fixed assets	(153 503 279)	(147 539 152)
Proceeds from sale of property, plant and equipment	10 859 594	8 253 482
Proceeds from sale of shares - subsidiares	-	83 290 399
Income/expenses on other short-term financial assets	(8 901 312)	42 771 273
Dividends received	708 278	597 821
Aquisition of subsidiaries, net of cash aquired	(74 411 759)	(340 087 385)
Loans granted	(2 441 455)	-
Repayment received of given loans	-	377 854
Interest received	3 830 611	5 033 573
Net cash used in investing activities	**(299 865 827)**	**(378 883 036)**
Cash flow from financing activities		
Income/expenses for other financial liabilities	(3 290 365)	1 741 224
Issue of financial debt securities	-	(219 533 443)
Proceeds from loans and borrowings	105 782 844	225 537 255
Repayment of borrowings	-	(699 055)
Expenses for liabilities from leasing	(302 884 107)	(5 735 454)
Other interests	(68 521 435)	(3 703 506)
Interests on loans and borrowings	(20 878 779)	(17 632 736)
Dividends paid	(143 380 084)	(105 899 719)
Net cash used in financing activities	**(433 171 924)**	**(125 925 433)**
Net change in cash and cash equivalents	**(49 888 991)**	**(6 041 496)**
Cash and cash equivalents at the beginning of the period	196 558 852	202 600 349
Cash and cash equivalents at the end of the period	**146 669 861**	**196 558 853**

**Note 28

CONSOLIDATED STATEMENT ON CHANGES IN EQUITY FOR THE PERIOD FROM 01.01 TO 31.12.2019

	Share capital	Reserve capital ***	Option for purchase/selling the shares	Hedge reserve	Retained earnings ***	Equity attributable to Owners of the Company	Non-controlling interests	**Total**
*Changes in equity in the period from 01.01 to 31.12.2018 restated****								
Balance as at 01.01.2018 after changes	**139 163 286**	**586 929 351**	**(54 712 448)**	**(6 483 777)**	**301 437 071**	**966 333 484**	**63 671 916**	**1 030 005 400**
Total comprehensive income for the reporting period								
Owners of the Company	-	-	-	-	109 644 174	**109 644 174**	-	**109 644 174**
Non-controlling interests	-	-	-	-	-	-	2 008 096	**2 008 096**
Net profit presented directly in equity	-	-	-	(1 154 653)	-	**(1 154 653)**	-	**(1 154 653)**
Total comprehensive income for the period from 01.01. to 31.12.2018	-	-	-	**(1 154 653)**	**109 644 174**	**108 489 521**	**2 008 096**	**110 497 618**
Dividends paid	-		-	-	**(101 589 199)**		(4 310 520)	**(4 310 520)**
Equity-settled share-based payment transactions		5 880 000	-	-	-	**5 880 000**	-	**5 880 000**
Option for purchase/selling the shares	-	-	(2 651 165)	-	-	**(2 651 165)**	-	**(2 651 165)**
Other	-	1 309 257	-	-	(2 734 024)	**(1 424 767)**	1 152	**(1 423 615)**
Total contributions by and distributions to Owners of the Company	**-**	**7 189 257**	**(2 651 165)**	**-**	**(104 323 223)**	**(99 785 131)**	**(4 309 368)**	**(104 094 499)**
Balance as at 31.12.2018	**139 163 286**	**594 118 608**	**(57 363 613)**	**(7 638 430)**	**306 758 023**	**975 037 874**	**61 370 645**	**1 036 408 518**
Changes in equity in the period from 01.01 to 31.12.2019								
Balance as at 01.01.2019	**139 163 286**	**594 118 608**	**(57 363 613)**	**(7 638 430)**	**306 758 023**	**975 037 874**	**61 370 645**	**1 036 408 518**
Total comprehensive income for the reporting period								
Owners of the Company	-	-	-	-	69 862 037	**69 862 037**	-	**69 862 037**
Non-controlling interests	-	-	-	-	-	-	9 263 556	**9 263 556**
Other comprehensive income	-	-	-	2 310 742	-	**2 310 742**	-	**2 310 742**
Total comprehensive income for the period from 01.01. to 31.12.2019	-	-	-	**2 310 742**	**69 862 037**	**72 172 779**	**9 263 556**	**81 436 334**
Dividends paid	-	-	-	-	(139 163 286)	**(139 163 286)**	(4 216 798)	**(143 380 084)**
Equity-settled share-based payment transactions	-	5 880 000	-	-	-	**5 880 000**	-	**5 880 000**
Option for purchase/selling the shares	-	-	(12 398 164)	-	-	**(12 398 164)**	-	**(12 398 164)**
Other	-	(3 286 443)	-	-	(1 260 946)	**(4 547 389)**		**(4 547 389)**
Total contributions by and distributions to Owners of the Company	**-**	**2 593 557**	**(12 398 164)**	**-**	**(140 424 232)**	**(150 228 839)**	**(4 216 798)**	**(154 445 637)**
Balance as at 31.12.2019	**139 163 286**	**596 712 165**	**(69 761 777)**	**(5 327 688)**	**236 195 828**	**896 981 813**	**66 417 403**	**963 399 217**

***Note 1

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01 TO 31.12.2019

1. GENERAL INFORMATION

1.1. ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

According to the resolution of the Management Board dated 12 March 2020 the consolidated financial statements of Eurocash S.A. Group for the period from 1 January 2019 to 31 December 2019 were authorized for issue by the Management Board.
According to the information included in the report no. 1/2020 dated 10 January 2020 sent to the Polish Financial Supervision Authority, Eurocash S.A. issues its consolidated financial statements on 13 March 2020.
Eurocash S.A. is a listed company and its shares are publicly traded.

1.2. STATEMENT OF COMPLIANCE

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

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

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

Implementation of IFRS 16

In January 2016, the International Accounting Standards Board issued International Financial Reporting Standard 16 Leasing ("IFRS 16"), which replaced IAS 17 Leasing, IFRIC 4 Determining whether the contract includes leasing, SKI 15 Operating leases - special promotional offers and SKI 27 Substance assessment transactions using the form of leasing. IFRS 16 sets out the accounting principles for leasing in terms of valuation, presentation and disclosure.
IFRS 16 introduces a single model of the lessees accounting and requires the lessee to recognize assets and liabilities resulting from each lease with a period exceeding 12 months, unless the underlying asset is of low value. On the date of the commencement, the lessee recognizes an asset component due to the right of use of the underlying asset and a lease liability that reflects his obligation to make lease payments.
The lessee separately recognizes depreciation of the asset component under the right of use and interest on the lease liability.
The lessee updates the valuation of the lease liability after the occurrence of certain events (eg changes in the leasing period, changes in future lease payments resulting from the change in the index or the rate used to determine these charges). In principle, the lessee recognizes the revaluation of the lease liability as an adjustment to the asset's value due to the right of use.
The Group is a lessee, mainly in the case of lease agreements for rental and means of transport.

Lessor accounting in accordance with IFRS 16 remains substantially unchanged from current accounting in accordance with IAS 17. A lessor will continue to recognize all lease agreements using the same classification principles as in IAS 17, distinguishing between operating leases and financial leasing.
IFRS 16 requires wider disclosures from both the lessee and the lessor than in the case of IAS 17.
The lessee has the right to choose a full or modified retrospective approach, and the transitional provisions provide for some practical solutions.
IFRS 16 is effective for annual periods beginning on January 1, 2019 and later. Earlier application is permitted for entities that apply IFRS 15 from or before the first application of IFRS 16. The Group has not decided to apply IFRS 16 earlier.
The Group has implemented IFRS 16 using a modified retrospective method.
The Group has benefited from the exemption regarding short-term leases.
The analysis of the Group's agreements in terms of IFRS 16 began by determining which contracts are under the definition of a lease. Lease liabilities are recognized at the value of discounted future payments during the lease term and the asset due to the right of use - in the same amount corrected by the amount of any prepayments or calculated lease payments recognized in the statement of financial position before the date of first application. Lease payments are discounted using the lesser interest rate of the lessee on the date of the first application, determined for individual leasing segments depending on their period and the type of the asset being leased.
The date of start of the leasing period is the date on which the lessor makes the asset available for use by the lessee. The leasing period includes the period during which the lessee is entitled to use, along with optional periods, when the Company may with reasonable assurance assume that it will exercise the option of extending or will not use the option of termination. In the case of establishing periods of contracts concluded for an indefinite period, the Group applied the criteria of sufficient certainty and took into account all relevant facts and circumstances, including business plans.

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

	Lease liabilites
Finance lease liabilities as at 31 December 2018 (IAS 17)	**8 469 417**
Liabilities (and their changes) not included in the statement of financial position as at 31 December 2018:	**1 801 660 265**
Liabilities under operating lease agreements as at 31 December 2018	2 153 781 741
Changes in the method of recognition of contracts for an indefinite period	32 020 910
The value of the discount using the marginal discount rate	(384 142 386)
Lease liabilities as at 01 January 2019	**1 810 129 682**

The impact of the implementation of IFRS 16 for statement of financial position as at 01.01.2019:

	Dates without impact of IFRS 16 as at 01.01.2019	Impact of IFRS 16 as at 01.01.2019	Dates with impact of IFRS 16 as at 01.01.2019
Assets			
Non-current assets (long-term)	**3 006 009 506**	**1 801 660 265**	**4 807 669 771**
Property, plant and equipment	790 197 116	(16 212 493)	773 984 623
Right of use assets	-	1 817 872 758	1 817 872 758
Current assets (short-term)	**3 004 896 767**	**-**	**3 004 896 767**
Total assets	**6 010 906 273**	**1 801 660 265**	**7 812 566 538**
Equity and liabilities			
Equity	**1 036 408 518**	**-**	**1 036 408 518**
Liabilities	**4 974 497 754**	**1 801 660 265**	**6 776 158 019**
Non-current liabilities	**79 517 996**	**1 534 843 698**	**1 537 847 048**
Other long-term financial liabilities	3 003 350	(3 003 350)	-
Long-term lease liabilities	-	1 537 847 048	1 537 847 048
Current liabilities	**4 894 979 758**	**266 816 567**	**299 571 470**
Other short-term financial liabilities	32 754 903	(5 466 067)	27 288 836
Short-term lease liabilities	-	272 282 634	272 282 634
Total equity and liabilities	**6 010 906 273**	**1 801 660 265**	**7 812 566 538**

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

	Dates before impact of IFRS 16 for the period from 01.01.2019 to 31.12.2019	Impact of IFRS 16 for the period from 01.01.2019 to 31.12.2019	Dates after impact of IFRS 16 for the period from 01.01.2019 to 31.12.2019
Gross profit (loss)	**3 242 975 007**	**-**	**3 242 975 007**
Selling expenses	(2 669 117 981)	35 310 294	(2 633 807 687)
General and administrative expenses	(395 567 790)	733 217	(394 834 573)
Profit (loss) on sales	**178 289 236**	**36 043 510**	**214 332 746**
Other operating income	86 913 226	121 767	87 034 992
Operating profit (loss)	**208 356 940**	**36 165 277**	**244 522 216**
Financial income	32 634 746	**3 672 456**	36 307 202
Financial costs	(95 872 940)	(66 413 259)	(162 286 198)
Profit (loss) before tax	**139 998 342**	**(26 575 526)**	**113 422 816**
Income tax expense	(39 346 573)	5 049 350	(34 297 223)
Profit (loss) for the period	**100 651 769**	**(21 526 176)**	**79 125 593**

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

	Dates without impact of IFRS 16	Impact of IFRS 16	Dates with impact of IFRS 16
	as at 31.12.2019	na dzień 31.12.2019	as at 31.12.2019
Assets			
Non-current assets (long-term)	**3 114 290 312**	**1 798 317 396**	**4 912 607 709**
Property, plant and equipment	773 964 310	(7 766 381)	766 197 929
Right of use assets	-	1 801 034 427	1 801 034 427
Deferred tax assets	117 854 677	5 049 350	122 904 027
Current assets (short-term)	**2 972 399 256**	**-**	**2 972 399 256**
Total assets	**6 086 689 569**	**1 798 317 396**	**7 885 006 965**
Equity and liabilities			
Equity	**984 925 393**	**(21 526 176)**	**963 399 217**
Equity attributable to Owners of the Company	**916 897 645**	**(19 915 831)**	**896 981 814**
Retained earnings	256 111 659	(19 915 831)	236 195 828
Profit (loss) for the period	89 777 868	(19 915 831)	69 862 037
Non-controlling interests	68 027 748	(1 610 345)	66 417 403
Liabilities	**5 101 764 176**	**1 819 843 573**	**6 921 607 748**
Non-current liabilities	**35 258 565**	**1 525 097 584**	**1 560 356 149**
Other long-term financial liabilities	1 994 381	(1 923 710)	70 671
Long-term lease liabilities	-	1 527 021 294	1 527 021 294
Current liabilities	**5 066 505 611**	**294 745 989**	**5 361 251 600**
Other short-term financial liabilities	23 979 057	(2 880 318)	21 098 739
Short-term lease liabilities	-	297 625 204	297 625 204
Provisions	210 696 112	1 103	210 697 215
Total equity and liabilities	**6 086 689 569**	**1 798 317 396**	**7 885 006 965**

IFRS 16 impact on lease liabilities in financial statements:

IFRS 16 impact on lease liabilities as at 31.12.2019	*1 819 842 470*
IFRS 16 impact on lease liabilities as at 01.01.2019	*1 801 660 265*
Changes in period from 01.01.2019 to 31.12.2019	**18 182 204**
New agreements	204 614 762
Agreements changes	111 078 573
- due to change of conditions	114 751 044
- due to change of exchange rates	(3 672 471)
Change of liabilities	(297 511 131)

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

	Dates before impact of IFRS 16	Impact of IFRS 16	Dates after impact of IFRS 16
	for the period	for the period	for the period
	from 01.01.2019	from 01.01.2019	from 01.01.2019
	to 31.12.2019	to 31.12.2019	to 31.12.2019
Cash flow from operating activities			
Profit (loss) before income tax	**139 998 342**	**(26 575 526)**	**113 422 816**
Adjustments for:	**319 629 814**	**390 499 915**	**710 129 729**
Depreciation and amorization	221 676 005	327 880 879	549 556 884
Gain (loss) on sale of property, plant and equipment	15 270 252	(121 767)	15 148 486
Profit (loss) on exchange rates	-	(3 672 456)	(3 672 456)
Interest expenses	80 114 423	66 413 259	146 527 682
Operating cash before changes in working capital	**459 628 156**	**363 924 389**	**823 552 545**
Operating cash	**475 012 243**	**363 924 389**	**838 936 632**
Net cash from oparating activities	**319 224 370**	**363 924 389**	**683 148 760**
Cash flow from investing activities			
Net cash from investing activities	**(299 865 827)**	**-**	**(299 865 827)**
Cash flows from financing activities			
Expenses for liabilities from leasing	(5 372 976)	(297 511 131)	(302 884 107)
Other interest	(2 108 176)	(66 413 259)	(68 521 435)
Net cash used in financing activities	**(69 247 535)**	**(363 924 389)**	**(433 171 924)**
Net change in cash and cash equivalents	**(49 888 991)**	**-**	**(49 888 992)**
Cash and cash equivalents at the beginning of the period	196 558 852	-	196 558 852
Cash and cash equivalents at the end of the period	**146 669 861**	**-**	**146 669 860**

Under lease contracts, due to with IFRS 16 Leasing, the Group repaid the capital and interest with a total value of PLN 363,924.389.

Other

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

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

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

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

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

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

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

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

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

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

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

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

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

- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014)– effective for financial years beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) –the effective date was deferred indefinitely by IASB;
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) –effective for financial years beginning on or after 1 January 2021;
- *Amendments to References to the Conceptual Framework in IFRS Standards* (issued on 29 March 2018) – effective for financial years beginning on or after 1 January 2020;
- Amendments to IFRS 3 *Business Combinations* (issued on 22 October 2018) - effective for financial years beginning on or after 1 January 2020;
- Amendments to IAS 1 and IAS 8: *Definition of Material* (issued on 31 October 2018) – effective for financial years beginning on or after 1 January 2020;
- Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest Rate Benchmark Reform* (issued on 26 September 2019) – effective for financial years beginning on or after 1 January 2020;
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020)– effective for financial years beginning on or after 1 January 2022.

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

1.4. FUNCTIONAL AND PRESENTATION CURRENCY, ROUNDINGS

These consolidated financial statements are presented in PLN, which is the Parent Entity's functional and presentation currency. All financial information presented in PLN has been rounded to the nearest PLN (unless it is otherwise indicated).

1.5. USE OF ESTIMATES AND JUDGEMENTS

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

estimates and judgements are a basis for the determination of the carrying value of assets and liabilities not resulting directly from other sources. Actual results may differ from those estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The most significant estimates are related to allocation of the acquisition price of the companies, impairment of assets and reserves, which are described in Note 7, 9, 20.

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

The application of IFRS 15 requires making subjective judgments and estimates, which significantly affect the determination of the amount and date of revenue recognition. A significant judgment is presented in p. 2.28.

The application of IFRS 16 requires making various judgments, including determining which contracts fall under the definition of a lease, which parameters should be used to value the lease liability and whether there are premises indicating the need to reassess the lease period or the discount rate. A significant description regarding the recognition of lease contracts is presented in p. 1.3.
For contracts concluded for an indefinite period, the Group's Management Board makes a judgment to determine with sufficient certainty the duration of the contract.

The right to use in the Group is amortized on a straight-line basis. If, as part of the leasing contract, ownership of the underlying asset is transferred to the Group at the end of the leasing period, or if the valuation of the leasing liability takes into account that the Group will use the call option, the Group depreciates the asset from the right of use, starting from the start date of the underlying asset's useful life until the end. Otherwise, the Group depreciates an asset due to the right of use from the date of the lease to the end of the asset's useful life or to the end of the lease, whichever is earlier.
The Group assesses at each balance sheet date whether there is objective evidence that may indicate impairment of a given asset under the right to use. To estimate the possible impairment of assets due to the right of use, the Group applies the provisions of IAS 36 Impairment of Assets.

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

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

repayment of trade liabilities, the Group makes appropriate changes to the classification and recognizes liabilities covered by factoring as separate debt financing.
The Group considers "Eurocash" and "abc" trademarks as recognizable on the market and intends to use them for a long time. According to these assumptions the Group states that the economic useful life of the above mentioned trademarks is indefinite and they are not amortized. The "Eurocash" and "abc" trademarks are subject to impairment testing each year.
According to the Management Board's judgment, restrictions on the use of cash on VAT accounts resulting from the tax regulations regarding the split payment mechanism do not affect their classification as cash and cash equivalents, as the Group uses them on an ongoing basis to settle short-term liabilities.

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

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

1.6. COMPARABILITY OF FINANCIAL STATEMENTS

The accounting principles (policies) used to prepare these financial statements are similar to those used in the preparation of the Group's financial statements for the year ended 31 December 2017, except for rules related to the introduction of new standards, as described in note 1.3.
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 Group's transactions.

1.7. INFORMATION ABOUT THE PARENT ENTITY, THE CAPITAL GROUP, THE ASSOCIATES AND JOINT VENTURE

Eurocash S.A. is a Parent Entity, registered in the District Court Poznań - Nowe Miasto and Wilda in Poznań, VIII Commercial Department of the National Court Register; registration number: 00000213765; located in Komorniki, ul. Wiśniowa 11.

The main business activity of the Parent Entity is non-specialized wholesale trade (PKD 4690Z).

Shares of Eurocash S.A. are traded on Warsaw Stock Exchange.

Entities comprising the Eurocash capital group and associates as at 31.12.2019 (continued)

No	1	2	3	4	5	6	7	8
Unit	Eurocash S.A.	Eurocash Serwis Sp. z o.o.	Eurocash Franczyza Sp. z o.o.	Eurocash Trade 1 Sp. z o.o.	Eurocash Trade 2 Sp. z o.o.	Premium Distributors Sp. z o.o.	Przedsiębiorstwo Handlu Spożywczego Sp. z o.o.	DEF Sp. z o.o.
address	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul. Bokserska 66a 02-690 Warszawa	ul .Wiśniowa 11 62-052 Komorniki	ul. Handlowa 6 15-399 Białystok
core of activity	PKD 4690Z	PKD 4635Z	PKD 8299Z	PKD 4634A	PKD 4634A	PKD 4634A	PKD 4690Z	PKD 4639Z
registration court	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000213765	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000519553	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000259846	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000329002	District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register KRS 0000329037	District Court Warszawa, XIII Commercial Division of the National Court Register KRS 0000287947	District Court Zielona Góra, VIII Commercial Division of the National Court Register KRS 0000203619	District Court Białystok, XII Commercial Division of the National Court Register KRS 0000048125
nature of relationship	Parent company	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full
date of aquisition	n/a	31.03.2006	10.07.2006	06.04.2009	06.04.2009	02.08.2010	02.08.2010	21.12.2011
ownership interest	n/a	75%	100%	100%	100%	100%	100%	100%
voting rights (in %)	n/a	75%	100%	100%	100%	100%	100%	100%

Entities comprising the Eurocash capital group and associates as at 31.12.2019 (continued)

No	9	10	11	12	13	14	15	16
Unit	Lewiatan Podlasie Sp. z o.o.	Euro Sklep S.A.	Ambra Sp. z o.o.	Lewiatan Śląsk Sp. z o.o.	Lewiatan Orbita Sp. z o.o.	Lewiatan Kujawy Sp. z o.o.	Lewiatan Wielkopolska Sp. z o.o.	Lewiatan Opole Sp. z o.o.
address	Porosły 70A 16-070 Choroszcz	ul. Bystrzańska 94a 43-309 Bielsko-Biała	ul. Hutnicza 7 43-502 Czechowice-Dziedzice	ul. Lenartowicza 39 41-219 Sosnowiec	ul. Lubelska 33/15 10-410 Olsztyn	ul. Polna 4-8 87-800 Włocławek	Os. Winiary 54 60-665 Poznań	ul. Światowida 2 45-325 Opole
core of activity	PKD 7010Z	PKD 4711Z	PKD 4645Z	PKD 7022Z	PKD 4690Z	PKD 4711Z	PKD 7740Z	PKD 7740Z
registration court	District Court Białystok, XII Commercial Division of the National Court Register KRS 0000508176	District Court Bielsko Biała, VIII Commercial Division of the National Court Register KRS 0000012291	District Court Katowice-Wschód, VIII Commercial Division of the National Court Register KRS 0000254307	District Court Katowice-Wschód, VIII Commercial Division of the National Court Register KRS 0000175768	District Court Olsztyn, VIII Commercial Division of the National Court Register KRS 0000039244	District Court Toruń, VII Commercial Division of the National Court Register KRS 0000109502	District Court Poznań - Nowe Miasto i Wilda, VIII Commercial Division of the National Court Register KRS 0000133384	District Court Opole, VIII Commercial Division of the National Court Register KRS 000043199
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full
date of aquisition	18.03.2014	21.12.2011	21.12.2011	21.12.2011	21.12.2011	21.12.2011	21.12.2011	21.12.2011
ownership interest	100%	100%	100%	100%	100%	100%	100%	100%
voting rights (in %)	100%	100%	100%	100%	100%	100%	100%	100%

Entities comprising the Eurocash capital group and associates as at 31.12.2019 (continued)

No	17	18	19	20	21	22	23	24
Unit	Lewiatan Zachód Sp. z o.o.	Lewiatan Podkarpacie Sp. z o.o.	Lewiatan Holding S.A.	Lewiatan Północ Sp. z o.o.	Eurocash Convenience Sp. z o.o.	Kontigo Sp. z o.o.	Inmedio Sp. z o.o.	Eurocash VC3 Sp. z o.o.
address	ul. Przemysłowa 5 73-110 Stargard Szczeciński	ul. Krakowska 47 39-200 Dębica	ul. Kilińskiego 10 87-800 Włocławek	ul. I Dywizji Wojska Polskiego nr 98 84-230 Rumia	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki	ul. Al.Jerozolimskie 174 02-486 Warszawa	ul. Taśmowa 7 02-677 Warszawa
core of activity	PKD 6419Z	PKD 8299Z	PKD 7740Z	PKD 4639Z	PKD 7010Z	PKD 7010Z	PKD 4617Z	PKD 7740Z
registration court	District Court Szczecin Centrum, XIII Commercial Division of the National Court Register KRS 0000017136	District Court Rzeszów, XII Commercial Division of the National Court Register KRS 0000186622	District Court Toruń, VII Commercial Division of the National Court Register KRS 0000089450	District Court Gdańsk-North in Gdańsk, VII Commercial Division of the National Court Register KRS 0000322297	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000509266	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000510241	District Court Warszawa, XII Commercial Division of the National Court Register KRS 0000525507	District Court Warszawa, XIII Commercial Division of the National Court Register KRS 0000560795
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full
date of aquisition	21.12.2011	28.06.2013	21.12.2011	21.12.2011	05.03.2014	17.04.2014	01.12.2014	11.05.2015
ownership interest	100%	100%	66,61%	100%	100%	100%	51%	100%
voting rights (in %)	100%	100%	71,17%	100%	100%	100%	51%	100%

Entities comprising the Eurocash capital group and associates as at 31.12.2019 (continued)

No	25	26	27	28	29	30	31	32
Unit	ABC na kołach Sp. z o.o.	Duży Ben Sp. z o.o.	Firma Rogala Sp. z o.o.	4Vapers Sp. z o.o.	Delikatesy Centrum Sklepy Sp. z o.o.	Eurocash Food Sp. z o.o.	Delikatesy Centrum Podlasie Sp. z o.o.	Sushi 2 go Sp. z o.o.
address	ul. Wiśniowa 11 62-052 Komorniki	ul. Wiśniowa 11 62-052 Komorniki	ul. Grunwaldzka 59 38-350 Bobowa	ul. Wiśniowa 11 62-052 Komorniki	ul. Wiśniowa 11 62-052 Komorniki	ul. Wiśniowa 11 62-052 Komorniki	ul. Piękna 24/26A 00-549 Warszawa	ul. Ks.Juliana Chrościckiego 93/105 02-414 Warszawa
core of activity	PKD 5621Z	PKD 4711Z	PKD 4711Z	PKD 4635Z	PKD 7022Z	PKD 7022Z	PKD 1013Z	PKD 8299Z
registration court	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000586936	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000577163	District Court Kraków-Śródmieście in Kraków, XII Commercial Division of the National Court Register KRS 0000576321	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000625487	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000567562	District Court Warszawa, XII Commercial Division of the National Court Register KRS 0000605658	District Court Warszawa, XII Commercial Division of the National Court Register KRS 0000492021	District Court Warszawa, XIII Commercial Division of the National Court Register KRS 0000584888
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full
date of aquisition	29.12.2015	22.07.2015	29.01.2016	20.06.2016	04.05.2015	04.05.2015	22.06.2016	22.06.2016
ownership interest	100%	100%	50%	100%	100%	100%	100%	74%
voting rights (in %)	100%	100%	50%	100%	100%	100%	100%	74%

Entities comprising the Eurocash capital group and associates as at 31.12.2019 (continued)

No	33	34	35	36	37	38	39	40
Unit	Detal Finanse Sp. z o.o.	Polska Dystrybucja Alkoholi Sp. z o.o.	ECA Detal Sp. z o.o.	FHC-2 Sp. z o.o.	Madas Sp. z o.o.	Akademia Umiejętności Eurocash Sp. z o.o.	Eko Holding S.A. w likwidacji	Delikatesy Centrum Sp. z o.o.
address	ul. Wiśniowa 11 62-052 Komorniki	ul. Hubla 40,Wola Zaradzyńska 95-054 Ksawerów	ul. Sempołowskiej 4 95-200 Pabianice	Ul Tysiąclecia 1 38- 400 Krosno	Ul Tysiąclecia 1 38- 400 Krosno	ul .Wiśniowa 11 62-052 Komorniki	ul. R. Chomicza 13C Nowa Wieś Wrocławska 55-080 Kąty	ul .Wiśniowa 11 62-052 Komorniki
core of activity	PKD 6920Z	PKD 4634A	PKD 4725Z	PKD 4711Z	PKD 4711Z	PKD 8559B	PKD 4690Z	PKD 4711Z
registration court	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000618542	District Court Łódź - Śródmieście in Łódź, XX Commercial Division of the National Court Register KRS 0000124474	District Court Łódź - Śródmieście in Łódź, XX Division of the National Court Register KRS 0000293684	District Court Rzeszów, XII Commercial Division of National Court Register KRS 0000241137	District Court Rzeszów, XII Commercial Division of National Court Register KRS 0000243880	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000666485	District Court Wrocław - Fabryczna in Wrocław, IX Division of the National Court Register KRS 0000302877	District Court Wrocław - Fabryczna in Wrocław, IX Division of the National Court Register KRS 0000116761
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full
date of aquisition	15.03.2016	30.12.2016	30.12.2016	16.12.2016	16.12.2016	18.01.2017	04.01.2017	04.01.2017
ownership interest	100%	100%	100%	50%	50%	100%	100%	100%
voting rights (in %)	100%	100%	100%	50%	50%	100%	100%	100%

Entities comprising the Eurocash capital group and associates as at 31.12.2019 (continued)

No	41	42	43	44	45	46	47	48
Unit	EC VC7 Sp. z o.o.	Cerville Investments Sp. z o.o.	Investpol 700 Mila spółka akcyjna sp.j.	Mila Holding S.A.	Koja-Invest Sp. z o.o.	Domelius Limited	ABC Sp. z o.o.	Groszek Sp. z o.o.
address	ul. Wiśniowa 11 62-052 Komorniki	ul. Czerniowieckiej 2B 02.705 Warszawa	ul. Świętokrzyska 22 88-100 Inowrocław	ul. Świętokrzyska 22 88-100 Inowrocław	os. Na Stoku 1 31-701 Kraków	43 Demostheni Severi Avenue Nicosia, 1080 Cyprus	ul .Wiśniowa 11 62-052 Komorniki	ul .Wiśniowa 11 62-052 Komorniki
core of activity	PKD 4690Z	PKD 4110Z	PKD 6820Z	PKD 6420Z	PKD 4711Z	-	PKD 7490Z	PKD 7490Z
registration court	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000666652	District Court Warszawa, XIII Commercial Division of the National Court Register KRS 0000495219	District Court Bydgoszcz, VIII Commercial Division of the National Court Register KRS 0000550561	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000666862	District Court Kraków-Śródmieście in Kraków, XI Commercial Division of the National Court Register KRS 0000801461	Company under Cypriot law	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000746077	District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000745820
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full	Full	Full	Full
date of aquisition	18.01.2017	13.12.2017	29.05.2018	29.05.2018	29.05.2018	29.05.2018	18.07.2018	18.07.2018
ownership interest	100%	100%	100%	100%	100%	100%	100%	100%
voting rights (in %)	100%	100%	100%	100%	100%	100%	100%	100%

Entities comprising the Eurocash capital group and associates as at 31.12.2019 (continued)

No	49	50	51	52	53
Unit	Partner Sp. z o.o.	Delikatesy Centrum 2 Sp. z o.o.	Delikatesy Centrum 4 Sp. z o.o.	Delikatesy Centrum 3 Sp. z o.o.	Podlaskie Delikatesy Centrum Sp. z o.o.
address	Os. Armii Krajowej 6a 87-600 Lipno	Pl. Marszałka Piłsudskiego 1 lok.4 00-078 Warszawa	Pl. Marszałka Piłsudskiego 1 lok.4 00-078 Warszawa	Pl. Marszałka Piłsudskiego 1 lok.4 00-078 Warszawa	ul .Wiśniowa 11 62-052 Komorniki
core of activity	PKD 4711Z	PKD 7022Z	PKD 7022Z	PKD 7022Z	PKD 4711Z
registration court	District Court Toruń, VII Commercial Division of the National Court Register KRS 0000229327	District Court Warszawa, XII Commercial Division of the National Court Register KRS 0000772585	District Court Warszawa, XII Commercial Division of the National Court Register KRS 0000772558	District Court Warszawa, XII Commercial Division of the National Court Register KRS 0000772562	District Court Białystok, XII Commercial Division of the National Court Regiter KRS 0000423861
nature of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary
applied consolidation method	Full	Full	Full	Full	Full
date of aquisition	01.03.2019	07.06.2019	07.06.2019	07.06.2019	20.08.2019
ownership interest	100%	100%	100%	100%	100%
voting rights (in %)	100%	100%	100%	100%	100%

In addition, Inmedio Sp. z o.o. has subsidiary Inmedio Sp. z o.o. Sp. k., in which Inmedio Sp. z o.o. (as a general partner) holds 99.9999% of shares and Eurocash Franczyza Sp. z o.o. (as a limited partner) holds 0.0001% of shares.
On 28.02.2019 Eurocash Group sold 94% of shares in entity Detal Podlasie Sp. z o.o.

On 01.03.2019 Eurocash Group acquired 100% of shares in entity Partner Sp. z o.o.

On 07.06.2019 Eurocash Group signed an agreement with TMF Poland Sp. z o.o. purchasing 100% of shares in entities Beliana Sp. z o.o., Panabia Sp. z o.o. and Rabiossa Sp. z o.o., which changed their names into Delikatesy Centrum 2 Sp. z o.o., Delikatesy Centrum 3 Sp. z o.o. and Delikatesy Centrum 4 Sp. z o.o.

On 07.08.2019 “Koja-Mila Spółka Akcyjna” Sp.j. was transferred into Koja-Invest Sp. z o.o.

On 20.08.2019 Eurocash Group acquired 75% of shares in entity MD Projekt Sp. z o.o., which changed its name into Podlaskie Delikatesy Centrum Sp. z o.o. on 11.09.2019.

On 02.09.2019 Jim Sp. z o.o. finished the activity after the merger with Delikatesy Centrum Sklepy Sp. z o.o.

On 31.10.2019 została podjęta uchwała o otwarciu likwidacji spółki EKO Holding S.A.

On 15.11.2019 Eurocash Detal Sp. z.o.o. finished the activity after the merger with Delikatesy Centrum Sklepy Sp. z o.o.

On 02.12.2019 LEDI Sp. z o.o. was transferred into Delikatesy Centrum Sp. z o.o.

On 02.12.2019 MILA S.A. after the merger with Delikatesy Centrum Sp. z o.o. finished its activity.

Entities comprising the Eurocash capital group and associates as at 31.12.2019

No	1	2
Unit	FRISCO S.A.	Partnerski Serwis Detaliczny S.A.
address	ul. Omulewska 27 04-128 Warszawa	ul. Grażyny 15 02-548 Warszawa
core of activity	PKD 4791Z	PKD 6499Z
registration court	District Court Warszawa, XIII Commercial Division of the National Court Register KRS 0000401344	District Court Warszawa, XIII Commercial Division of the National Court Register KRS 0000280288
nature of relationship	Associate	Joint venture
method of ownership	Equity method	Equity method
ownership interest	44,03%	50%
voting rights (in %)	44,03%	50%

1.8. GOING CONCERN ASSUMPTION

As at 31 December 2019 there was a surplus of the Group's current liabilities over its current assets in the amount of approx. PLN 2.4 billion (as at 31.12.2018 the surplus was approx.. PLN 1.9 billion), which is typical for the industry in which companies from The Group operate. The Group actively uses the trade credit and financial instruments available on the market to finance the Group's current activities. The main goal is to optimize the Group's operating results while maintaining liquidity. The Company's Management Board assumes that the existing financing options for the Group today will not be limited. A more complete description of financial risk management, including available financial instruments, is presented in note 36.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for the following items derivative financial instruments measured at fair value.

The most significant accounting policies applied by Eurocash S.A. Group are presented in points 2.2-2.37.

2.2. REPORTING PERIOD

The Group’s reporting period is a calendar year.

2.3. FORMAT AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

In particular, the consolidated financial statements are comprised of:

- General information
- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated statement of financial position
- Consolidated statement of cash flows
- Consolidated statement of changes in equity
- Supplementary information to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

2.4. BASIS OF CONSOLIDATION

Subsidiaries

Due to IFRS 10, subsidiaries are entities controlled by the Group.
The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.
Investments in associates are accounted for using the equity method and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees (after adjustments to align the accounting policies with those of the Group) from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Jointly controlled companies

Jointly controlled companies are presented according to IFRS 11 and recognized as joint operations or joint ventures, according to the actual rights and obligations of joint controllers.
A joint operation is a joint contractual arrangement in which the parties exercising joint control over the arrangement have rights to assets and obligations concerning liabilities related to the arrangement. These parties are referred to as joint operators.
A joint venture is a joint contractual arrangement in which the parties exercising joint control over the arrangement have rights to net assets arising out of the arrangement. These parties are referred to as joint venturers. A joint venturer presents their share in a joint venture as an investment, and such investment is accounted for according to the equity method, as per IAS 28.

Costs of business acquisition

The costs of business acquisition are valued as the sum of the fair values at the date of exchange of given assets, incurred or assumed liabilities and equity instruments issued by the acquirer with regard to the business acquisition. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisition date

The day on which the Group obtains actual control of the acquire is the acquisition date. When such acquisition is executed in a way of a single exchange transaction, the date of exchange is the same date as the acquisition date.
In a business combination achieved in stages:

- the cost of the business acquisition is the total cost of all transactions, and
- the exchange date is the date of each exchange transaction (i.e. the day on which each particular investment is included in the financial statements of the Parent Entity), whereas the acquisition date is the date on which the Group obtains control over the acquired entity.

Sale of subsidiaries

The result on the sale of subsidiaries is presented by the Group in the income statement in operating activity and in the cash flow statement in investment activitiy.

Transactions eliminated on consolidation

As of the acquisition date the carrying value of the Group's investments in subsidiaries is eliminated on consolidation with that part of the subsidiaries' equity which corresponds with the Group's held interest equity.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Allocation of transferred payment in exchange for the acquiree

As at the acquisition date, the Parent Entity attributes the consideration transferred in exchange for the acquiree, including identifiable assets, liabilities and contingent liabilities of the acquiree, according to their fair value as at this day, with the exception to non-current assets (or the group of assets to be abandoned) classified as "held for sale", which are measured at their fair value less costs to sale.

The Parent Entity recognises separately identifiable assets, liabilities and contingent liabilities at the acquisition date only if they meet the following criteria at that date:

- when an asset is not an intangible asset, an inflow of all future economic benefits related to that asset is probable and its fair value can be reliably measured;
- when a liability is not a contingent liability, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and its fair value can be reliably measured;
- fair value of an intangible asset or a contingent liability can be reliably measured.

Goodwill

As at the acquisition date, the acquirer:

- recognizes goodwill acquired during the business combination as an asset item,

and

- initially measures goodwill at its acquisition cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently to the initial recognition, the acquirer measures the goodwill acquired in the business combination at its acquisition cost less accumulated impairment losses.

If the Group's interest in net fair value of identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost, the Group:

- reassess all of the assets acquired, all of the liabilities assumed and the consideration transferred,

and then:

- recognizes the remaining gain in the profit or loss.

The Group may adjust the provisional amounts recognized at the acquisition date during the 12 months period.

2.5. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the functional currency of Group entities (PLN) at exchange rates at the dates of the transactions.
Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the average exchange rate of the National Polish Bank at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the average exchange rate of the National Polish Bank at the end of the reporting period.

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

	31.12.2019	*31.12.2018*
EUR	4,2585	4,3000

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at average exchange rate of the National Polish Bank at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2.6. INTANGIBLE ASSETS

Definition

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

- Goodwill,
- Software licences,
- Copyrights,
- Concessions, patents, utility and decorative designs and trademarks,
- Know-how,
- Customer relations,
- Other intangible assets.

Initial measurement of intangible assets

The initial value of intangible assets is the acquisition cost, which includes the purchase price and other expenditure directly attributable to acquiring the intangible assets.

Subsequent expenditure

Subsequent expenditure on components of intangible assets is capitalized only when it increases the future economic benefits associated with the item. Other costs including expenditures on internally generated intangible assets such as: trademarks, goodwill and brands are recognized in profit or loss as incurred.

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 in taken into consideration. If it is hard to determine the reasonable economic useful time or there is no certainty of any expected measurable benefits, the Group recognize the intangible assets in profit or loss for the period.

The following amortization rates are adopted for intangible assets:

- licenses – software 33,3%
- copyrights 10% - 20%
- trademarks 5% - 10%
- know-how 10%
- relations with customers 5%
- other intangible assets 20%

Review of amortization rates and possible impairment

Amortization rates adopted for intangible assets are subject to review at least at each annual reporting date causing respective adjustment of future amortization.

The Group assesses at least at each reporting date whether there is any indication that an asset may be impaired. Impairment losses are recognized in other operating expenses in the period they occurred.

The Group tests annually such intangible assets for impairment by comparing the carrying value of the specified item with its recoverable amount, regardless of any impairment indication.

Measurement of intangible assets at the reporting date

At the reporting date the Group measures the intangible assets at the acquisition cost less accumulated amortization and any accumulated impairment losses.

2.7. PROPERTY, PLANT AND EQUIPMENT

Definition

Property, plant and equipment include tangible assets held by the Group for economical use (useful and intended to be used by the Group), the expected useful lives of which exceed one year.

Property, plant and equipment shall include in particular:

- Land
- Buildings and constructions,
- Technical equipment and machinery,

- Vehicles,
- Other tangible fixed assets (furniture etc.),
- Fixed assets under construction.

The initial measurement of tangible fixed assets

The initial value of tangible fixed assets is the acquisition cost comprising purchase price including the amount due to seller (excluding deductible VAT and excise tax) and, in case of import, additional public charges.

The acquisition cost includes expenditures directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to a working condition for their intended use, including transport, loading, discharging, storage and market introduction costs, minus rebates, discounts, and other similar price reductions and refunds. When determination of the acquisition cost of an asset is impossible, in particular when the asset is received free of charge or donated, its value shall be determined on the basis of 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 from the date the construction, assembly, adaptation or improvement commenced until the reporting date or the day of the bringing the asset into use, plus:

- non-deductible VAT and excise duty,
- costs of obligations incurred for financing of the asset together with the exchange rate differences, decreased by the revenues obtained,
- if required – the estimation of the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent expenditure

Subsequent expenditures on replacing parts of an item of property, plant and equipment are capitalized and increase the initially recognized cost of an asset. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the removed parts of assets is derecognized. Expenditures on the day-to-day maintenance of property, plant and equipment are recognized as a gain or loss for the period in which they were incurred.

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

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Tangible fixed assets, excluding lands and fixed assets under construction, are depreciated monthly for the period of economic useful life, using a straight-line method and following depreciation rates:

- buildings and constructions 2,5% - 4,5%
- investments in third parties' property, plant and equipment 10%
- technical equipment and machinery 10% - 60%
- vehicles 14% - 20%
- other tangible fixed assets 20%

Depreciation commences in the month in which the asset was brought into use.

Gain or loss on disposal, liquidation or usage cessation of an item of property, plant and equipment are determined as the difference between the proceeds from disposal and the carrying amount of the assets, and are recognized net in profit and loss.

Review of depreciation rates and possible impairment

Depreciation rates are subject to analysis at the end of each financial year causing respective adjustment of future depreciation.

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. Impairment losses are charged into other operating expenses in the period the impairment loss was determined. Impairment occurs when no future economic benefits are expected to flow to the Group from the asset e.g. in case of liquidation or usage cessation of the asset. Impairment losses are charged into other operating expenses not later than at the reporting date, in the period the impairment loss was determined.

Measurement of property, plant and equipment at the reporting date

Tangible fixed assets are measured at the reporting date at cost i.e. either at acquisition price or construction cost less accumulated depreciation and any accumulated impairment losses.

Tangible fixed assets under construction are presented in the financial statements at cost of manufacturing less impairment losses. The cost of manufacturing includes charges and borrowing costs activated in accordance with accounting policy, specified in the point 2.8.

The stocktaking of tangible fixed assets

The stocktaking of tangible fixed assets is performed every four years.

2.8. ASSETS DUE TO RIGHT OF USE

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

2.9. BORROWING COSTS

Borrowing costs that are directly attributable to acquiring or manufacturing the qualifying assets shall be capitalized on relevant assets until the date of bringing them into use. These costs are diminished by gains resulted from temporary investment of funds obtained for manufacturing the specified asset.

Borrowing costs include interest and other cost incurred by the Group due to borrowing funds.

Any other borrowing costs are recognized in profit or loss in the period they have occurred.

2.10. LEASE CONTRACTS

Accounting policy used till 31.12.2018

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

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

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

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

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

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

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

If the Company uses any assets under operating leases, such assets are not recognized in the statement of financial position. Operating lease payments are carried to profit or loss for the duration of the lease according to straight-line method. Special promotional offers are presented as an integral part of total costs of lease throughout the term of lease, accordingly.

Accounting policy used from 01.01.2019.

The Company assesses at the signing the agreement whether the contract is a lease or contains a lease. The agreement is a lease or contains a lease if it transfers the right to control the use of the identified asset for a given period in exchange for remuneration.

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

2.11. INVESTMENT PROPERTY

Investment property comprises property held in order to earn rentals or derive economic benefits resulting from capital appreciation.

Investment property is initially measured at its manufacturing or acquisition costs after taking into account transaction costs. At the reporting date investment property is measured at acquisition or manufacturing cost less accumulated depreciation and any accumulated impairment losses in accordance with accounting policies applied for tangible fixed assets.

2.12. SHARES IN ASSOCIATES AND ENTITIES UNDER COMMON CONTROL

Shares are valued at the purchase price. In the case of impairment, no later than at the end of the reporting period, the value of shares is decreased by a write-off expressing the impairment.
When determining the useful value, the Company takes into account the cash flows generated by the respective assets and liabilities held by associates and entities under common control.

2.13. LONG-TERM RECEIVABLES

Long-term receivables include receivables whose repayment date will be longer than one year from the end of the reporting period.
This part of long-term receivables that is to be repaid within one year from the end of the reporting period is presented in short-term receivables.
Long-term receivables consist mainly of pre-paid deposits, which relate to long-term lease agreements for locations, and security of bank guarantees and security for the purchase of non-current assets.

2.14. LONG-TERM PREPAYMENTS

At each reporting date the analysis is made of long-term prepayments.
The valuation is made by the Company, taking into consideration the rational factors and the knowledge of the individual components of the prepayments.
Long-term prepayments include, the following items:

- Rentals,
- IT licenses,
- Alcohol permissions.

2.15. NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The Group classifies a non-current asset or disposal group comprising assets and liabilities as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through its continuing use.
This situation takes place if following conditions are fulfilled:

- the asset is available for immediate sale in its present condition and its sale is highly probable,
- there must be commitment to a plan to sell by an appropriate level of management,
- that plan must have been initiated,
- the assets (or disposal group) must be actively marketed at a reasonable price that is reasonable in relation to the asset's fair value,
- there must be an expectation that the sale will be completed within one year of the classification of assets or a disposal group as held for sale, and activities required to fulfil the plan indicate that it is unlikely to provide significant changes to the plan or that the plan will be obsolete.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

2.16. INVENTORIES

Inventories are assets:

- held for sale in the ordinary course of business (goods),
- materials or supplies purchased to be consumed for own use.

Initial measurement

The Group uses the same method of calculating the acquisition price in case of all the positions.

Acquisition price is determined using the weighted average method. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. The weighted average is calculated when goods are taken to the warehouse.

Cash, value or volume discounts and rebates (bonuses from suppliers counted on turnover) should be deducted from the acquisition cost.

Acquisition cost comprises purchase price and other costs incurred for the purpose of bringing the inventories to their existing location and condition.

Purchase costs comprise actual purchase price, import duties, other non-deductible taxes and other directly attributable costs.

Measurement of inventories at the reporting date

Inventories are measured at the lower of cost and net realisable value. Acquisition or construction cost is determined using the the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale.

The Group identifies following circumstances that lead to write-down of the inventories, to the level of net realisable value:

- decline of net realisable value (damage, expired etc.)
- the level of inventories exceeding the demand and selling possibilities,
- low rotation of inventories,
- selling prices of inventories are below their carrying amounts.

If the acquisition cost is higher than the net selling price 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 recognised in other operating expenses.

2.17. NON DERIVATIVE FINANCIAL INSTRUMENTS

Classification of financial assets

Financial assets are classified into the following valuation categories:

- • measured at amortized cost,
- • measured at fair value through profit or loss,
- • measured at fair value through other comprehensive income.

Valuation at the moment of initial recognition

At the time of initial recognition, financial assets are measured at fair value, increased, in the case of investments not classified as measured at fair value through profit or loss, transaction costs that can be directly attributed to the acquisition of these financial assets.

Discontinuation of recognition

The Group ceases to recognize a financial asset in the statement of financial position in the event of the expiry of the right to receive economic benefits and incur related risks or transfer them to third parties.

Valuation after initial recognition

For the purpose of valuation after initial recognition, financial assets are classified in one of four categories:

• Debt instruments measured at amortized cost,
• Debt instruments measured at fair value through other comprehensive income,
• Equity instruments measured at fair value through other comprehensive income,
• Financial assets at fair value through profit or loss.

Debt instruments - financial assets at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:
(a) the financial asset is held in accordance with the business model, the purpose of which is to maintain financial assets for obtaining cash flows arising from the contract, and
(b) the contractual terms relating to a financial asset cause cash flows to occur at specified times, which are only repayment of the principal and interest on the principal outstanding.
In the category of financial assets measured at amortized cost, the Company classifies:

- trade receivables,
- loans held to obtain cash flows,
- cash and cash equivalents.

Interest income is calculated using the effective interest rate method and is shown in the profit and loss account under the item Financial income.

Debt instruments - financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:
a) the financial asset is maintained in accordance with the business model, which is aimed both at receiving cash flows resulting from the agreement and the sale of financial assets; and
(b) the contractual terms relating to a financial asset cause cash flows to occur at specified times, which are only repayment of the principal and interest on the principal outstanding.
Interest income, foreign exchange differences and impairment gains and losses are recognized in profit or loss and calculated in the same way as financial assets measured at amortized cost. Other changes in fair value are recognized in other comprehensive income. Upon cessation of the recognition of a financial asset, the total profit or loss previously recognized in other comprehensive income is reclassified from equity to the financial result.
Interest income is calculated using the effective interest rate method and is shown in the profit and loss account under the item Financial income.
In the category of debt instruments measured at fair value through other comprehensive income, the Group qualifies loans that arise from financing needs in the Group.

Capital instruments - financial assets at fair value through other comprehensive income

At the moment of initial recognition, the Group may make an irrevocable choice regarding the recognition in other comprehensive income of subsequent changes in the fair value of investments in an equity instrument that is not intended for trading or is a conditional consideration recognized by the acquirer in the merger of entities to which IFRS 3 applies This choice is made separately for each equity instrument. Accumulated profits or losses

previously recognized in other comprehensive income are not reclassified to profit or loss. Dividends are recognized in the profit and loss account when the entity's right to receive dividends is established, unless these dividends clearly represent the recovery of part of the investment costs.
In the category of equity instruments measured at fair value through other comprehensive income, the Group qualifies shares in other entities, purchased options, warrants.

Financial assets at fair value through profit or loss
A financial asset that does not meet the measurement criteria at amortized cost or at fair value through other comprehensive income is measured at fair value through profit or loss.
The gain or loss on the valuation of debt investments at fair value is recognized in profit or loss.
Dividends are recognized in the profit and loss account when the entity's right to receive dividends arises.
In the category of equity instruments measured at fair value through the financial result, the Group qualifies shares of other entities.

Financial liabilities
Subsequent to initial recognition financial liabilities are measured at amortised cost using the effective interest method, excluding:
(a) financial liabilities designated as at fair value through profit or loss,
(b) financial liabilities recognized as a result of reclassification of financial assets that are not qualified to be derecognized,
(c) financial guarantees contracts,
(d) obligations to grant low-interest or interest-free loans.

In a situation where the Group:
- has a valid legal title to offset the amounts included and
- it intends to settle on a net basis or at the same time realize an asset and perform an obligation

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

2.18. DERIVATIVES

The Group uses derivatives to hedge its foreign currency and interest rate risk exposures. 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,
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative,
- the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.

At the moment of initial recognition of the hedging position, the Group 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 hedging instrument effectiveness.
The hedge is assessed by the Group at the inception and on an ongoing basis as highly effective if following conditions are met:

- the hedge is expected to be highly effective in offsetting the changes in the fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated
- the actual results of hedge are within a range of 80-125% (retrospective effectiveness)
- Hedging of future transaction cash flows is applied for highly probable transactions exposed to cash flow changes risk that would be recognized as a profit or loss of current reporting period.

Derivatives are initially recognized at fair value; the associated transaction costs are recognized in the profit and loss account when incurred. After the initial recognition, the Group measures derivative financial instruments at fair value, profits and losses resulting from the change in fair value are included in the following way.

Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects the income statement. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

2.19. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables

Trade receivables comprise receivables resulting from realized supplies or rendered services due within 12 months and more than 12 months of the reporting date.

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 at the reporting date

In the case of trade receivables, the Group applies a simplified approach and measures the write-down for expected credit losses in the amount equal to expected credit losses over the

whole life using the reserve matrix. The Group uses its historical data on credit losses, adjusted, where applicable, for the impact of future information.
The Group assesses the probability of payment of receivables by counterparties from the beginning of their creation. If receivables whose repayment by buyers is threatened or whose enforcement may cause difficulties are disclosed, they are updated by making a write-down in the profit and loss account.

Measurement of receivables denominated in foreign currency at the reporting date
Foreign currency receivables are translated at the closing rate at the date of the Group's financial statements. The amount of exchange differences is recognized in profit or loss as other finance income or other finance costs.

Bad debts allowance
The value of receivables shall be adjusted by a bad-debts allowance for:

- receivables from debtors put into liquidation or declared bankruptcy - up to the amount of the debts not covered by a guarantee or other payment security declared to a liquidator or judge commissioner in bankruptcy proceedings,
- receivables from debtors with dismissed bankruptcy declaration case if the debtor's property is not sufficient to cover the costs of bankruptcy proceedings - in the full amount,
- debts questioned as to their amounts owed or being in arrears with the repayment thereof and repayment of which, according to the evaluation of the debtor's financial situation, in the contractual amount is not probable - up to the amount of the debt not covered by the guarantee or other payment security,
- debts overdue or not overdue but of a considerable degree of uncollectability – decreased by a reliably measured amount of an allowance,
- court proceeded debts – in the full amount of debts.

The amount of allowance derives not only from the events taking place before the reporting date but also events subsequent to the date of the financial statements' authorization, if those events relate to the debts which existed before the reporting date.
The bad-debts allowance is recognized in other operating expenses or finance costs, depending on the relevant receivable.

2.20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at hand and in bank accounts as well as bank deposits payable on demand, other safe short-term investments with an original maturity of up to three months from the date of their establishment, receipt, acquisition or issue and high liquidity. Cash and cash equivalents also include interest on cash equivalents.

2.21. SHORT-TERM PREPAYMENTS

Short-term prepayments are analyzed at each reporting date. The assessment is made by the Group, taking into consideration reasonable circumstances and knowledge about each position of prepayments.

Short-term prepayments include mainly:

- rent prepayments,

- electric energy and central heating prepayments,
- subscription prepayments,
- alcohol permissions,
- property tax,
- prepayments for other services (e.g. telecommunications),
- advance payments for lease of equipment.

2.22. IMPAIRMENT

Financial assets (including receivables)

The Group assesses the expected credit losses related to debt instruments carried at amortized cost and fair value through other comprehensive income, irrespective of whether there is any indication of impairment.

The factors determining the impairment of financial assets (including equity instruments) are included:

- default or delinquency by a debtor, whereas the Group regularly monitors the debtors ability to repay their debts,
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise,
- indications that a debtor or issuer will enter bankruptcy,
- the disappearance of an active market for a security,
- for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

When assessing the impairment for groups of assets, the Group uses historical trends to estimate the probability of occurrence of arrears and the date of payment and the value of losses incurred, adjusted by the Management Board's estimates assessing whether current economic and credit conditions indicate that the actual level of losses would significantly differ from the level of losses resulting from from the assessment of historical trends.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. The recoverable value of assets or cash-generating units is estimated at the end of each financial year.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value 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 that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the income statement. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the 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 loss 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.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

2.23. EQUITY

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

Repurchase of treasury shares
When share capital recognized as equity is repurchased, 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 treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

The amount reserved for repurchase of share capital, based on the Shareholders' Meeting's resolution, is presented in equity as separate capital reserves.

Distribution of financial result
Distribution of the financial results of subsidiaries is reflected in the consolidated financial statements in accordance with Resolutions of the subsidiaries without making any additional consolidation eliminations.

2.24. 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 surface.

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

Measurement of long-term liabilities denominated in foreign currency
Foreign currency liabilities are measured at least at the reporting date using the spot exchange rate.
Foreign currency gains and losses from valuation of long-term liabilities are recognized in finance income or costs accordingly.

Liabilities due to acquire non-controlling shares
The valuation of the put option of non-controlling shareholders, the execution of which implies the obligation to purchase non-controlling interests for Eurocash, is recognized as a remaining liability in connection with the option to purchase/sell shares. Liabilities to acquire non-controlling shares are recognized in the amount of the most probable redemption price for these shares based on the ratios contained in investment contracts, the individual values of which come from the financial plans of the companies. The liability value calculated in this way is discounted to the present value.
At each subsequent balance sheet date, the liability is measured based on the current values of financial ratios and adjusted for the current discount rate.

2.25. SHORT-TERM LIABILITIES

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

Short-term liabilities include mainly:
- loans and borrowings,
- finance lease liabilities,
- trade payables,
- taxation, social security and other benefits payables,
- payroll payables,
- liabilities due to financing of franchisees.

As part of trade payables, the Group presents liabilities covered by reverse leasing.

Measurement of the short-term liabilities
At the reporting date short-term liabilities are measured at amortized cost using the effective interest method.

Measurement of short-term liabilities denominated in foreign currency
Foreign currency liabilities are measured at least at the reporting date using the spot exchange rate.
Foreign currency gains and losses from valuation of short-term liabilities are recognized in finance income or expenses accordingly.

2.26. LOANS

The Group initially recognizes bank and other loans and debt securities at fair value of cash received decreased by any directly attributable transaction costs.
Subsequent to initial recognition loans and debt securities are measured at amortized cost using the effective interest method.

2.27. PROVISIONS

Provisions are recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.
Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.
Using the provisions may be made according to the time flow or benefit size. Time and method of settlement should be adequate to the character of expenses, according to the prudence method.
Provisions lower the expenses for the period, in which it was affirmed that the liabilities would not arise.

2.28. SALES

The Group applies IFRS 15 Revenue from contracts with clients to all contracts with clients, with the exception of leasing agreements covered by the scope of IFRS 16 Leases, financial instruments and other contractual rights and obligations falling within the scope of IFRS 9 Financial Instruments, IFRS 1 Consolidated Financial Statements, IFRS 11 Joint Findings contractual, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures.
The basic principle of IFRS 15 is the recognition of revenues at the moment of the transfer of goods and services to the client, in a value reflecting the price expected by the entity, in exchange for the transfer of goods and services.
These rules are applied using the five-step model:
• a contract with the client has been identified,
• commitments to perform the service under the contract with the client have been identified,
• the transaction price was determined,
• the transaction price was allocated to individual liabilities and performance of the service,
• revenues are recognized when the contractual obligation is fulfilled.

Identification of the contract with the client

The Group recognizes the contract with the client only if all of the following criteria are met:
• the parties to the contract have entered into a contract (in writing, or in accordance with other usual commercial practices) and are required to perform their duties,
• The Group is able to identify the rights of each party regarding the goods or services to be transferred,
• The Group is able to identify the payment terms for goods or services to be transferred,
• the contract has economic content (i.e. it can be expected that the contract will change the risk, the time schedule or the amount of future cash flows of the entity),
• it is probable that the Group will receive a remuneration which it will be entitled to in exchange for goods or services that will be transferred to the client.
When assessing whether the receipt of the amount of remuneration is probable, the Group only considers the ability and intention to pay the amount of remuneration by the client in a timely manner. The amount of remuneration that will be due to the Group may be lower than

the price specified in the contract if the remuneration is variable, because the entity may offer the customer a price concession.

Determining the transaction price

In order to determine the transaction price, the Group takes into account the terms of the contract and the usual commercial practices. The transaction price is the amount of remuneration which, in line with the Group's expectations, will be payable in exchange for the transfer of promised goods or services to the client, with the exception of amounts collected on behalf of third parties (eg certain sales taxes). The remuneration specified in the contract with the client may include fixed amounts, variable amounts or both types of amounts.

Variable remuneration

If the remuneration specified in the contract includes a variable amount, the Group estimates the amount of remuneration to which it will be entitled in exchange for the transfer of the promised goods or services to the client. The Group estimates the amount of variable remuneration using one of the following methods, depending on the type of contract:

- expected value - the sum of the products of the possible remuneration amounts and the corresponding probabilities of occurrence. The expected value may be an appropriate estimate of the amount of variable remuneration if the Group has a large number of similar contracts,
- the most probable value - it is the single most probable amount from the range of possible remuneration amounts (ie the single most probable outcome of the contract). The most likely value may be an appropriate estimate of the amount of variable remuneration if the contract has only two possible outcomes (eg the Group either earns a performance bonus or not).

Assigning the transaction price to the obligations to perform the service

The Group assigns a transaction price to each obligation to provide the service (or a separate good or separate service) in an amount that reflects the amount of remuneration which, as expected by the Group, is due in exchange for the transfer of promised days and services to the client.

Fulfilling obligations to perform the service

The Group recognizes revenue when it meets (or in the course of fulfilling) the obligation to perform the service by transferring the promised good or services to the client.

Remuneration of the principal and remuneration of the intermediary

If another entity is involved in providing goods or services to the customer, the Group determines whether the nature of the Group's promise is an obligation to provide certain goods or services (in this case the Group is the principal) or on behalf of another entity to provide these goods or services (in this case the Group is an intermediary).
The group is the principal if it exercises control over the promised good or service prior to their commandment to the client. However, an entity does not have to act as principal if it obtains a legal title to the product only temporarily before it is transferred to the customer. An entity appearing in the contract as the principal may itself fulfill the obligation to perform the service or may entrust the fulfillment of this obligation or part thereof to another entity (eg subcontractor) on its behalf. In this situation, the Group recognizes revenue in the gross amount of remuneration to which it is expected to be entitled in exchange for goods or services transferred.

The Group acts as an intermediary if its obligation to perform the service consists in ensuring delivery of goods or services by another entity. In such a case, the Group recognizes revenue in the amount of any fee or commission to which it is expected to be entitled in exchange for ensuring delivery of goods or services by another entity.

Variable remuneration

Some contracts with clients include variable amounts of remuneration, including in connection with the granting of discounts, rebates, penalties.

If the remuneration specified in the contract includes a variable amount, the entity estimates the amount of remuneration to which it will be entitled in exchange for the transfer of promised goods or services to the client and includes part or all of the variable remuneration in the transaction price only to the extent that it is highly probable that there will be no reversal of a significant part of the amount of previously recognized accumulated revenues at the time when the uncertainty about the amount of variable remuneration is flat.

2.29. FINANCE INCOME AND COSTS

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, profit on sale of financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in the income statement.

Interest income

Interest income is recognized as it accrues in profit or loss on accrual basis, using the effective interest method.

Dividend income

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expenses on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through the income statement, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the income statement using the effective interest method. Foreign currency gains and losses are reported on a net basis.

2.30. EMPLOYEE BENEFITS

Long-term employee benefits

The Group recognizes expenses regarding pension plans and other employee benefits for the post-employment period by defining benefit pension obligation.

The calculation of Employee benefits reserves is performed using the projected unit credit method. The calculation is performed by a qualified actuary. The liability is recognized on an accrual basis and measured in the discounted present value of benefits, that employees have earned as at the reporting date, adjusted by personnel and demographic movements indexes.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The Group recognizes liability for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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

2.31. SHARE-BASED PAYMENT TRANSACTIONS

The share-based payment transactions allow employees to cover share of the controlling company. The fair value of share-based payment awards granted to employees is recognized as separate position in profit or loss as an employee expense, with a corresponding increase in equity (reserve capital). The fair value is measured as at the grant date and recognized over the period that the employees unconditionally become entitled to the awards. 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 met.

The fair value of the employee share options rights is measured using Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holders' behaviour), 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.

2.32. INCOME TAX

Income tax covers the current and deferred part. Current and deferred income tax is recognized as profit or loss of the current period, except when it concerns a business combination and items recognized directly in equity or as other comprehensive income.

Current tax is the expected amount of liabilities or receivables due to tax on taxable income for a given reporting period, calculated on the basis of the tax result (tax base) of a given reporting period and adjusted by adjustments of tax liability regarding previous reporting periods. Tax income differs from gross book profit (loss) due to the exclusion of certain categories of balance sheet revenues as not subject to taxation and balance sheet expense, not constituting tax deductible costs and items of costs and revenues that will never be subject to taxation or reduce the tax base in subsequent years . Tax burdens are calculated based on tax rates applicable in a given reporting period.

Deferred tax is calculated using the balance sheet method as a tax to be paid or returned in the future on temporary differences between the balance sheet values of assets and liabilities and the corresponding tax values used to calculate the tax base.

Deferred tax provision is created from all positive temporary differences

- except when the provision for deferred tax arises as a result of the initial recognition of goodwill or initial recognition of an asset or liability when a transaction is not a business combination and does not affect gross profit or loss or taxable income or tax loss, and

- in the case of positive temporary differences arising from investments in subsidiaries or affiliates and interests in joint ventures - except when the dates of reversal of temporary differences are subject to investor control and when it is probable that the temporary differences will not be reversed in the foreseeable future.
- Deferred tax assets are recognized for all deductible temporary differences as well as unused tax credits and unused tax losses carried forward to the following years, in the amount in which it is probable that taxable income will be achieved, which will allow to use the abovementioned taxable profit. differences, assets and losses
- except when deferred tax assets related to deductible temporary differences arise as a result of the initial recognition of an asset or liability when a transaction is not a business combination and have no effect on gross profit or loss or taxable income tax loss, and
- in case of negative temporary differences due to investments in subsidiaries or affiliates and shares in joint ventures, the deferred tax asset is recognized in the balance sheet only in the amount in which it is probable that in the foreseeable future the above-mentioned temporary differences will be reversed and taxable income will be achieved, which will allow deduction of negative temporary differences.

The value of deferred tax assets is analyzed at the end of each reporting period, and if the expected future tax profits are not sufficient to realize an asset or its part, it is recognized to the realizable value.

Deferred tax assets and deferred tax provisions are valued using tax rates that are expected to apply in the period when the asset is realized or the provision is released, based on tax rates (and tax regulations) in force as at the balance sheet date or those whose validity is certain in the future as at the balance sheet date.
Income tax relating to items recognized outside profit or loss is recognized outside profit or loss: in other comprehensive income, for items recognized in other comprehensive income or directly in equity for items recognized directly in equity.

Deferred income tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to offset current tax liabilities and assets and provided that the deferred income tax assets and reserves relate to income tax imposed by the same tax authority for the same taxpayer.

2.33. UNCERTAIN TAX TREATMENT

If according to the Group's assessment it is probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group 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 Group ascertains that it is not probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group reflects the impact of this uncertainty in determining taxable income (tax loss), unused tax losses, unused tax credits or tax rates. The Group 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.

2.34. DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is represented as if the operation had been discontinued from the start of the comparative period.

2.35. EARNINGS PER SHARE

The Group 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 of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

2.36. MERGERS OF THE ENTITIES UNDER COMMON CONTROL

The acquired assets and liabilities resulting from the merger of entities under common control of the shareholder, who simultaneously controls the Group, are recognized at book value from the consolidated financial statements of Eurocash S.A. Capital Group.
Differences from the merger are referred to equity.

2.37. OPERATING SEGMENTS

An operating segment is a component of the Group:

a) which engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses that relate to transactions with any of the Group's other components);
b) which results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance;
c) for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.
Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01 TO 31.12.2019

NOTE 1.
CORRECTION OF THE EQUITY PRESENTATION

The Group made a presentation adjustment related to equity, adopting the method of recognizing the Group's results achieved at the level of results of the entities belonging to the Eurocash Group. The adjustment consists in the net presentation of unit profits that were transferred to supplementary capital or paid as a dividend to the parent entity, with losses presented in the results of previous years. Both profits and losses were generated by Eurocash Group entities in the period when they were consolidated.
In the opinion of the Management Board, a change in the presentation of retained earnings provides complete information about the accumulated financial results of the Capital Group. The adjustment was also recognized at the beginning of the comparative reporting period, i.e. on 01.01.2018.
Corrected consolidated statement of the financial positions consists only of correction of entity, without an impact on other reporting positions.

	as at 31.12.2019	correction	as at 31.12.2019
Equity	**963 399 217**	**-**	**963 399 217**
Equity attributable to Owners of the Company	**896 981 814**	**-**	**896 981 814**
Share capital	139 163 286	-	139 163 286
Reserve capital	1 495 866 607	(899 154 443)	596 712 165
Valuation equity of hedging transactions	(5 327 688)	-	(5 327 688)
Option for purchase/selling the shares	(69 761 777)	-	(69 761 777)
Retained earnings	(643 042 784)	899 154 443	236 195 828
Accumulated profit / loss from previous years	(732 820 651)	899 154 443	166 333 791
Profit (loss) for the period	69 862 037	-	69 862 037
Non-controlling interests	66 417 403	-	66 417 403

	as at 31.12.2018	correction	as at 31.12.2018
Equity	**1 036 408 518**	**-**	**1 036 408 518**
Equity attributable to Owners of the Company	**975 037 874**	**-**	**975 037 874**
Share capital	139 163 286	-	139 163 286
Reserve capital	1 381 000 766	(786 882 158)	594 118 608
Valuation equity of hedging transactions	(7 638 430)	-	(7 638 430)
Option for purchase/selling the shares	(57 363 613)	-	(57 363 613)
Retained earnings	(480 124 135)	786 882 158	306 758 023
Accumulated profit / loss from previous years	(589 768 309)	786 882 158	197 113 849
Profit (loss) for the period	109 644 174	-	109 644 174
Non-controlling interests	61 370 645	-	61 370 645

	as at 01.01.2018	korekta	as at 01.01.2018
Equity	**1 030 005 400**	**-**	**1 030 005 400**
Equity attributable to Owners of the Company	**966 333 484**	**-**	**966 333 484**
Share capital	139 163 286	-	139 163 286
Reserve capital	1 460 760 315	(873 830 964)	586 929 351
Valuation equity of hedging transactions	(6 483 777)	-	(6 483 777)
Option for purchase/selling the shares	(54 712 448)	-	(54 712 448)
Retained earnings	(572 393 893)	873 830 964	301 437 071
Accumulated profit / loss from previous years	(539 082 319)	873 830 964	334 748 645
Profit (loss) for the period	(33 311 574)	-	(33 311 574)
Non-controlling interests	63 671 916	-	63 671 916

NOTE 2.
ACQUISITION OF SHARES IN A SUBSIDIARIES

1. Acquisition of 100% of shares in Partner Sp. z .o.o.

On 1 March 2019 Eurocash finalised a transaction to acquire a 100% shares in Partner, which operates 25 Lewiatan franchise stores.

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS

1.	Name of acquired company	Partner Sp. z o.o.
2.	Acquisition date	01.03.2019
3.	Acquisition cost	73 119 019

ACQUISITION COST

	as at 01.03.2019
Cash	**73 119 019**

Settlement of business acquisition

These condensed consolidated interim financial statements present an initial settlement of the acquisition price of Partner shares. The Group is in the process of identification and measurement of assets acquired and liabilities assumed.

In the initial settlement of the purchase price, the net assets have been adopted due to the book value (corrected by the adjustments to the Eurocash Group policy); the purchase cost is the final price.

The acquisition took place on market conditions.

NET ASSETS ACQUIRED	Settlement of the acquisition as at 01.03.2019
Assets	
Non-current assets (long-term)	**32 300 394**
Intangible assets	3 126
Tangible fixed assets	5 452 316
Perpetual use	26 608 560
Deferred income tax assets	236 393
Current assets (short-term)	**16 906 427**
Inventory	10 662 480
Trade receivables	3 018 301
Other short-term receivables	81 400
Other short-term financial assets	995 272
Short-term prepayments	370 877
Cash and cash equivalents	1 778 096
Total assets	**49 206 821**
Equity nad liabilities	
Liabilities	**40 311 052**
Non-current liabilities	**24 880 216**
Long-term lease liabilities	23 628 835
Employee benefits	1 251 382
Current liabilities	**15 430 836**
Short-term lease liabilities	2 979 725
Trade liabilities	9 745 821
Current income tax liabilities	96 013
Other short-term liabilities	1 265 114
Current employee benefits	1 344 163
Total liabilities	**40 311 052**
Net assets	**8 895 769**
Net assets acquired (100 %)	8 895 769
Goodwill on acquisition	64 223 250
Acquisition cost	**73 119 019**

The resulting goodwill is mainly due to the fact that thanks to the acquisition of Partner Sp. z o.o. (Lewiatan stores), Eurocash S.A. Group expanded its distribution channels for food and chemical-cosmetic products.
Goodwill in the amount of PLN 64,223,250 consists of the expected synergy effect resulting from the acquisition.

2. Acquisition of 100% of shares in MD Projekt Sp. z .o.o.

On 20 August 2019 Eurocash Group finalised a transaction to acquire a 75% stake in MD Projekt Sp. z o.o.
On 12 December 2019 Eurocash Group finalised a transaction to acquire a 25% stake in MD Projekt Sp. z o.o.
On 11 September 2019 MD Projekt Sp. z o.o. changed its name into Podlaskie Delikatesy Centrum Sp. z o.o.

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS		
1.	Name of acquired company	MD Projekt Sp. z o.o.
2.	Acquisition date	20.08.2019
3.	Acquisition cost	4 353 306

Settlement of business acquisition

Due to the short period between the acquisition of the Company and the preparation of these condensed consolidated interim financial statements, these condensed consolidated interim financial statements present a initial settlement of the acquisition price of MD Projekt Sp. z o.o. shares. The Group is in the process of identification and measurement of assets acquired and liabilities assumed.

In the initial settlement of the purchase price, the net assets have been adopted due to the book value (corrected by the adjustments to the Eurocash Group policy); the purchase cost is the final price.

The acquisition took place on market conditions.

NET ASSETS ACQUIRED	Settlement of the acquisition as at 12.12.2019
Assets	
Non-current assets (long-term)	**5 830 097**
Tangible fixed assets	257 360
Right of use assets	5 546 703
Other long-term financial assets	26 034
Current assets (short-term)	**3 373 359**
Inventory	1 826 062
Trade receivables	179 713
Other short-term receivables	45 239
Short-term prepayments	39 874
Cash and cash equivalents	1 282 470
Total assets	**9 203 456**
Equity nad liabilities	
Liabilities	**8 216 087**
Non-current liabilities	**5 307 375**
Long-term lease liabilities	5 307 375
Current liabilities	**2 908 712**
Trade liabilities	1 935 977
Other short-term liabilities	439 866
Current employee benefits	274 617
Other short-term provisions	18 923
Total liabilities	**8 216 087**
Net assets	**987 369**
Net assets acquired	987 369
Goodwill on acquisition	3 365 937
Acquisition cost	**4 353 306**

The resulting goodwill is mainly due to the fact that thanks to the acquisition of MD Projekt Sp. z o.o, Eurocash S.A. Group expanded its distribution channels for food and chemical-cosmetic products. Goodwill in the amount of PLN 3.365.937 consists of the expected synergy effect resulting from the acquisition.

NOTE 3.
OPERATING SEGMENTS

The Group presents the following segments, which correctly show the diverse of the activity:

- *Wholesale* - The segment includes wholesale operations carried out by the following distribution formats and companies: Eurocash Cash & Carry, Eurocash Alkohole, Eurocash Serwis Sp. z o.o., Eurocash Trade 1 Sp. z o.o., EC VC7 Sp. z o.o. and Polska Dystrybucja Alkoholi Sp. z o.o. as well as sales transacted by those distribution formats whose clients have long-term agreements with Eurocash Group, e.g. franchise systems or clients from the HoReCa segment, as well as operations of such a franchise systems as: Lewiatan, Groszek and Euro Sklep. The segment involves the operations of the following companies: Eurocash S.A., Groszek Sp. z o.o., Euro Sklep S.A., Lewiatan Śląsk Sp. z o.o., Lewiatan Podlasie Sp. z o.o., Lewiatan Holding S.A., Lewiatan Zachód Sp. z o.o., Lewiatan Wielkopolska Sp. z o.o., Lewiatan Kujawy sp. z o.o., Lewiatan Opole Sp. z o.o., Lewiatan Orbita Sp. z o.o., Lewiatan Północ Sp. z o.o., Lewiatan Podkarpacie Sp. z o.o. Moreover, this segment includes sales transacted by the Eurocash Gastronomia format, as well as sales realized by Eurocash Dystrybucja under entity Eurocash S.A. and sales realized by DEF Sp. z o.o. and Ambra Sp. z o.o., 4vapers Sp. z o.o.
- *Retail* - retail sale of Eurocash Group companies within the following entities: Inmedio Sp. z o.o., Firma Rogala Sp. z o.o., FHC-2 Sp. z o.o., Madas Sp. z o.o., EKO Holding S.A., Eurocash Detal Sp. z o.o., Mila S.A., Investpol 700 Mila spółka akcyjna sp.j., and Mila Holding S.A., Domelius Limited, Koja-Invest Sp. z o.o., Partner Sp. z o.o., Delikatesy Centrum Podlasie Sp. z o.o., Podlaskie Delikatesy Centrum Sp. z o.o., Delikatesy Centrum Sklepy Sp. z o.o., as well as mark Delikatesy Centrum, as well as developed by Eurocash S.A. e.g. project of distribution of fresh products.
- *Projects* – this operating segment comprises the Group's new projects and retail formats in their initial phase of development, operating as the following entities: Eurocash Convenience Sp. z o.o., Kontigo Sp. z o.o, ABC na kołach Sp. z o.o., Duży Ben Sp. z o.o., Sushi 2 Go Sp. z o.o.
- *Other* – sales realized by Eurocash Trade 2 Sp. z o.o., Eurocash VC3 Sp. z o.o. Detal Finanse Sp. z o.o., Akademia Umiejętności Eurocash Sp. z o.o. and the Group's general and administrative expenses not allocated to any operating segment.

There are varying levels of relationships between the segments in the Group. These relationships include mutual sales of merchandise, provision of marketing services, logistics, administrative support, and other services. The accounting policies of each specific reporting segment are the same as the policies of the whole Group.
Eurocash Group operates only in the territory of Poland which, considering the economic conditions and business risks, can be treated as a uniform territory.

In the FMCG retail and wholesale sector, sales in the first quarter of the year are traditionally lower than in the remaining quarters. Highest sales are generated in the summer season, to flatline in Q4.

REVENUES AND PROFITS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2019 TO 31 DECEMBER 2019

	Wholesale	Retail	Projects	Other	Exclusions	Total
Sales	**20 418 596 591**	**7 309 674 364**	**108 928 989**	**7 488 218**	**(2 992 447 466)**	**24 852 240 696**
External sales of goods	18 710 436 253	5 904 811 632	104 559 613	-	-	24 719 807 497
Other external sales	47 693 127	82 983 643	1 428 655	327 773	-	132 433 199
Inter-segmental sales	1 660 467 211	1 321 879 089	2 940 720	7 160 445	(2 992 447 466)	-
Operating profit	**361 846 020**	**49 853 096**	**(53 076 872)**	**(114 100 028)**	**-**	**244 522 217**
Finance income						36 307 202
Finance costs						(162 286 198)
Share in losses of companies consolidated with the equity method						(5 120 404)
Profit before income tax						**113 422 816**
Income tax						(34 297 223)
Net profit (loss)						**79 125 593**

Due to the change in the presentation of business segments, the comparative data for 2018 have been transformed to the current form.

REVENUES AND RESULTS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2018 TO 31 DECEMBER 2018

	Wholesale	Retail	Projects	Other	Exclusions	Total
Sales	**19 270 491 678**	**6 171 737 351**	**53 107 461**	**4 340 614**	**(2 666 788 706)**	**22 832 888 398**
External sales of goods	17 682 833 392	4 947 118 181	50 943 148	-	-	22 680 894 721
Other external sales	62 473 882	88 868 641	187 945	463 209	-	151 993 677
Inter-segmental sales	1 525 184 404	1 135 750 529	1 976 368	3 877 405	(2 666 788 706)	-
Operating profit	**298 363 255**	**26 320 445**	**(40 008 757)**	**(70 299 461)**	**-**	**214 375 483**
Finance income						35 915 044
Finance costs						(89 856 973)
Share in losses of companies consolidated with the equity method						(4 882 304)
Profit before income tax						**155 551 249**
Income tax						(43 898 979)
Net profit (loss)						**111 652 270**

NOTE 4.
GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are presented in table below.

GOODWILL AND INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2019

	Goodwill	Patents and licences	Trademarks	Customer relations	Other intangible assets	**Total**
Carrying amount as at 01.01.2018	**1 401 336 787**	**30 982 936**	**67 678 294**	**193 539 966**	**54 884 985**	**1 748 422 968**
Acquisition through business combination	388 031 705	8 932 798	-	-	2 392 333	**399 356 836**
Other acquisitions	-	14 313 867	11 690	-	18 247 249	**32 572 806**
Increases due to the transfer of fixed assets under construction	-	5 353 511	-	-	(4 648 054)	**705 457**
Disposals	(5 722 015)	(3 351 206)	-	-	(4 690)	**(9 077 910)**
Liquidations	-	(143 107)	-	-	(32 745)	**(175 852)**
Amortisation	-	(22 934 408)	(4 857 518)	(20 399 991)	(9 755 615)	**(57 947 532)**
Other changes	-	133 922	-	-	(2 598 978)	**(2 465 056)**
Carrying amount as at 31.12.2018	**1 783 646 478**	**33 288 312**	**62 832 465**	**173 139 975**	**58 484 486**	**2 111 391 716**
Carrying amount as at 01.01.2019	**1 783 646 478**	**33 288 312**	**62 832 465**	**173 139 975**	**58 484 486**	**2 111 391 716**
Acquisition through business combination	-	-	-	-	13 692	**13 692**
Other acquisitions	67 589 187	20 464 430	-	-	27 341 376	**115 394 993**
Increases due to the transfer of fixed assets under construction	-	25 830 310	-	-	(19 049 438)	**6 780 871**
Disposals	(1 234 971)	(178 529)	(7 000)	-	(637 275)	**(2 057 775)**
Liquidations	-	(2 346 926)	-	-	(167 592)	**(2 514 518)**
Amortisation	-	(26 835 291)	(1 876 171)	(20 399 991)	(7 799 506)	**(56 910 959)**
Other changes	-	1 251 742	-	-	556 745	**1 808 487**
Carrying amount as at 31.12.2019	**1 850 000 694**	**51 474 047**	**60 949 295**	**152 739 984**	**58 742 488**	**2 173 906 507**

GOODWILL AND INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2019 (continued)

	Goodwill	Patents and licences	Trademarks	Customer relations	Other intangible assets	**Total**
As at 31.12.2018						
Cost	1 783 646 478	203 288 558	105 990 410	315 673 264	150 258 911	2 558 857 621
Accumulated amortisation	-	(170 000 247)	(43 157 944)	(142 533 289)	(91 774 425)	(447 465 905)
Carrying amount	**1 783 646 478**	**33 288 312**	**62 832 466**	**173 139 975**	**58 484 486**	**2 111 391 716**
As at 31.12.2019						
Cost	1 850 000 694	248 309 585	105 983 410	315 673 264	158 316 418	2 678 283 371
Accumulated amortisation	-	(196 835 538)	(45 034 114)	(162 933 280)	(99 573 931)	(504 376 862)
Carrying amount	**1 850 000 694**	**51 474 047**	**60 949 295**	**152 739 984**	**58 742 487**	**2 173 906 507**

Goodwill presented in the consolidated statement of financial position consists of the following items:

a) goodwill on acquisition of an organized part of "Carment, M. Stodółka i Wspólnicy Spółka Jawna" enterprise in the amount of PLN 11.565.477;

b) goodwill on acquisition of "KDWT S.A" in the amount of PLN 22.103.227;

c) goodwill on acquisition of "Eurocash Dystrybucja Sp. z o.o." (former “McLane Polska Sp. z o.o.”) in the amount of PLN 56.868.456;

d) goodwill on acquisition of "Nasze Sklepy Sp. z o.o." in the amount of PLN 2.596.627;

e) goodwill on acquisition of "Przedsiębiorstwo Handlowe Batna Sp. z o.o." in the amount of PLN 29.180.412;

f) goodwill on acquisition of Premium Distributors Group in the amount of PLN 226.352.528;

g) goodwill on acquisition of PolCater Group in the amount of PLN 11.428.359;

h) goodwill on acquisition of Tradis Group in the amount of PLN 684.865.254,

i) goodwill on acquisition of Dziembor i Spółka Sp. z o.o in the amount of PLN 5.253.762,

j) goodwill on acquisition of Przedsiębiorstwo Handlowo- Usługowe Noban sp. z o.o in the amount of PLN 991.988,

k) goodwill on acquisition by Eurocash S.A. of FMCG Service sp. z o.o., in the amount of PLN 60.349.278,

l) goodwill on acquisition by Eurocash S.A. of Inmedio sp. z o.o., in the amount of PLN 55.021.256.

m) goodwill on acquisition by Eurocash S.A. of Firma Rogala Sp. z o.o. in the amount of PLN 37.315.064,31,

n) goodwill on acquisition by Eurocash S.A. of FHC-2 Sp. z o.o. i Madas Sp. z o.o. in the amount of PLN 29.594.628,35,

o) goodwill on acquisition by Eurocash S.A. of Polska Dystrybucja Alkoholi Sp. z o.o. in the amount of PLN 17.484.368,84,

p) goodwill on acquisition by Eurocash S.A. of EKO Holding S.A. in the amount of PLN 144.583.970,

q) goodwill on acquisition by Eurocash S.A. of Domelius Limited (Mila stores) in the amount of PLN 388.031.705,

r) goodwill on acquisition by Partner Sp. z o.o.in the amount of PLN 64.223.250 PLN.

s) goodwill on acquisition by MD Projekt Sp. z o.o. in the amount of PLN 3.365.937 PLN.

Customer relations has been identified through the acquisition of:
a) Premium Distributors Group companies in the amount of PLN 49.000.000 (amortization period 10 years);
b) Tradis Group in the amount of PLN 250.000.000 (amortization period 20 years),
c) company Service FMCG in the amount of PLN 14.473.264 (amortization period 5 years).

The Group has the following intangible assets with indefinite useful lives:
a) "Eurocash" trademark with a carrying amount of PLN 27.387.672,
b) "abc" trademark with a carrying amount of PLN 17.216.759,

Amortization of intangible assets is recognized as selling expenses.

The Group did not recognize any impairment losses in relation to intangible assets, what is expanded in Note **7**.

NOTE 5.
PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are presented below:

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2019

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	**Total**
Carrying amount as at 01.01.2018	**358 088 974**	**154 599 681**	**14 117 893**	**121 094 678**	**31 088 480**	**678 989 707**
Acquisition through business combination	39 539 267	47 107 120	5 107 534	28 144 843	2 775 996	**122 674 759**
Other acquisitions	32 852 350	49 182 409	5 128 294	38 870 925	25 846 001	**151 879 979**
Changes due to the transfer of fixed assets under construction	10 640 863	2 337 269	42 030	8 063 887	(21 789 506)	**(705 457)**
Finance lease	-	-	1 755 581	-	-	**1 755 581**
Disposals	(1 180 649)	(4 876 652)	(1 956 851)	(1 020 248)	(1 007 404)	**(10 041 805)**
Liquidations	(7 010 743)	(2 771 141)	668 338	(1 673 637)	21 780	**(10 765 403)**
Finance lease	-	(18 561)	(803 351)	-	-	**(821 912)**
Depreciation	(36 793 009)	(56 331 299)	(6 504 664)	(46 659 646)	-	**(146 288 619)**
Other changes	2 542 326	614 702	1 024 180	2 201 215	(2 862 137)	**3 520 286**
Carrying amount as at 31.12.2018	**398 679 379**	**189 843 527**	**18 578 984**	**149 022 016**	**34 073 211**	**790 197 116**
Carrying amount as at 01.01.2019	**398 679 379**	**189 843 527**	**18 578 984**	**149 022 016**	**34 073 211**	**790 197 116**
Transfers to assets due to the right of use	-	(8 682 512)	(3 557 853)	(3 972 128)	-	**(16 212 493)**
Acquisition through business combination	758 495	4 018 362	249 327	1 111 344	-	**6 137 527**
Other acquisitions	19 965 683	53 521 693	11 626 638	39 414 170	60 066 998	**184 595 181**
Changes due to the transfer of fixed assets under construction	16 210 411	21 816 641	199 066	19 081 638	(64 088 627)	**(6 780 871)**
Changes due to repurchase of a fixed assets	-	4 703 593	335 983	71 449	-	**5 111 025**
Disposals	(10 883 852)	(4 606 251)	(1 029 402)	(2 760 440)	(791 412)	**(20 071 357)**
Liquidations	(3 702 048)	(3 375 990)	(80 021)	(5 389 278)	(497 979)	**(13 045 316)**
Depreciation	(42 308 186)	(58 731 699)	(6 401 987)	(53 530 364)	-	**(160 972 236)**
Other changes	2 467 953	520 086	35 927	(2 738 961)	(3 045 651)	**(2 760 646)**
Carrying amount as at 31.12.2018	**381 187 834**	**199 027 449**	**19 956 663**	**140 309 445**	**25 716 538**	**766 197 929**

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2019 (continued)

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	**Total**
As at 31.12.2018						
Cost	648 020 781	435 649 119	141 148 015	463 635 828	34 073 211	1 722 526 953
Accumulated amortisation	(249 341 401)	(245 805 593)	(122 569 030)	(314 613 812)	-	(932 329 837)
Carrying amount	**398 679 379**	**189 843 527**	**18 578 984**	**149 022 016**	**34 073 211**	**790 197 116**
As at 31.12.2019						
Cost	672 837 421	503 564 740	148 927 681	508 453 622	25 716 538	1 859 500 002
Accumulated amortisation	(291 649 588)	(304 537 291)	(128 971 018)	(368 144 177)	-	(1 093 302 074)
Carrying amount	**381 187 834**	**199 027 449**	**19 956 663**	**140 309 445**	**25 716 538**	**766 197 929**

NOTE 6.
RIGHT OF USE

RIGHT OF USE IN THE PERIOD FROM 01.01 TO 31.12.2019

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Total
Carrying amount as at 01.01.2019	**1 663 099 714**	**1 386 698**	**136 833 934**	**339 920**	**1 801 660 265**
Transfer of fixed assets	-	8 682 512	3 557 853	3 972 128	**16 212 493**
Acquisition through business combination	34 129 893	-	-	37 099	**34 166 992**
Increases due to the new agreements	108 526 330	55 995	85 000 885	-	**193 583 210**
Changes in conditions of contracts	103 260 324	144 289	3 170 835	128 268	**106 703 716**
Decrease of contracts scope	(11 129 987)	(2 332)	(3 375 215)	-	**(14 507 534)**
Changes due to repurchase of a fixed assets	-	(4 703 593)	(335 983)	(71 449)	**(5 111 025)**
Depreciation	(257 929 990)	(1 983 382)	(70 054 906)	(1 705 411)	**(331 673 689)**
Carrying amount as at 31.12.2018	**1 639 956 283**	**3 580 187**	**154 797 403**	**2 700 555**	**1 801 034 427**

RIGHT OF USE IN THE PERIOD FROM 01.01 TO 31.12.2019 (continued)

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Total
As at 31.12.2019					
Cost	1 897 886 273	5 563 570	224 852 309	4 405 966	2 132 708 117
Accumulated amortisation	(257 929 990)	(1 983 382)	(70 054 906)	(1 705 411)	(331 673 689)
Carrying amount	**1 639 956 283**	**3 580 187**	**154 797 403**	**2 700 555**	**1 801 034 427**

NOTE 7.
ANALYSIS OF INDICATIONS OF POTENTIAL IMPAIRMENT OF ASSETS

The Group prepared impairment tests of trademarks and goodwill.

As at 31.12.2019, the Group prepared impairment tests in relation to individual goodwill disclosed in the financial statements and determined the recoverable amounts of cash generating centers to which these goodwill are allocated.

The recoverable amount of individual centers was compared with the carrying amount defined as the sum of the assets of a cash generating unit, minus current liabilities that are part of working capital. For each impairment test, the recoverable amount was determined as the value of the tested cash generating unit based on financial projections for 2020-2024. To determine selected projection parameters, historical data for 2019 and approved by the Management Board of Eurocash S.A. were used. plans for 2020-2024.

Retail segment goodwill impairment test

The recoverable amount of the Retail segment assets was determined based on cash flow projections, which were built, among others under the following assumptions:
- a detailed forecast period of 5 years was adopted,
- the calculation of cash flow projections takes into account the recognition of lease contracts in accordance with IFRS 16,
- capital expenditure in subsequent years has been agreed to approved investment budgets, including planned expenditures for remodeling stores,
- in the period covered by the detailed forecast, an average annual increase in sales revenues of 13.1% was adopted, taking into account the increase in the number of stores by about 600 stores in the forecast period until 2024; no increase in the number of stores was assumed in the residual period.
- in the detailed forecast, the gross margin was assumed to be 0.2 pp higher comparing to the level achieved in 2019,
- a decrease in operating margins in 2020-2022 was assumed compared to the level achieved in 2019 in relation to, among others with the planned increase in operating costs such as salaries and energy costs,
- the level of working capital was forecast based on historical inventory turnover ratios, trade receivables and trade payables.

The discount rate used in the cash flow is consistent with the weighted average cost of capital (WACC) calculated on the basis of the risk-free rate in accordance with the currency in which the financial projections are prepared. Other elements used in the calculation, such as the market risk premium, beta ratio and capital structure are based on market data adequate for the industry in which the Eurocash Group operates. '
Weighted average cost of capital - WACC of 8.03% (2018: 9.05%) was used as the discount rate.

As a result of the analysis, it was confirmed that there was no need to make an impairment loss. The tested goodwill of the Retail segment was PLN 856,191 thousand (carrying value of grouped assets: PLN 2,112,190 thousand including assets due to the right of use recognized due to IFRS 16). The excess of recoverable amount over book value was set at PLN 667.700 thousand PLN.

A growth rate of 2.5% was adopted for the residual period.

0.25pp deviation of the discount rate for the Retail segment would result in a decrease / increase in recoverable amount by approximately 100 million, while a change in gross margin by 0.25 pp. - by approx. 350 million, respectively.

Increase / decrease of the discount rate by 0.25 pp as well as a decrease / increase in the margin by 0.25 pp does not lead to impairment of the cash-generating unit to which goodwill is allocated.

A decrease in the gross margin over the forecast horizon of 0.5 pp, with the remaining parameters of the model unchanged, would result in equalizing the book value of the assets of the cash-generating unit with the recoverable value. The same effect would increase the discount rate by 2.5 pp.

The Management Board also prepared plans for the increase in sales and results of the current structure of the retail network based on sales development plans in currently existing locations, both own stores and franchise outlets, based on forecasts related to, among others with planned activities aimed at optimizing the results of this sales channel. The estimated value of the sum of discounted cash flows indicated a surplus over the book value of the assets

Wholesale segment goodwill impairment test

The tested goodwill of the Wholesale segment was PLN 1,113,685 thousand PLN (carrying value of grouped assets: PLN 1,903,905 thousand).

Cash flow projections were built based on, among others the following assumptions:
- a detailed forecast period of 5 years was adopted,
- the calculation of cash flow projections takes into account the recognition of lease contracts in accordance with IFRS 16,
- capital expenditure in subsequent years has been agreed to approved investment budgets,
- in the period covered by the detailed analysis, an average annual increase in sales revenues of 5.5% was adopted,
- a gross margin increase of 0.2 pp was assumed in the detailed forecast horizon. and maintaining a constant level of operating margin,
- the level of working capital was forecast based on historical inventory turnover ratios, trade receivables and trade payables.

Weighted average cost of capital - WACC of 6.69% (2018: 6.49%) was used as the discount rate. As a result of the analysis, it was confirmed that there was no need to make an impairment loss.
The discount rate used in the cash flow is consistent with the weighted average cost of capital (WACC) calculated on the basis of the risk-free rate in accordance with the currency in which the financial projections are prepared. Other elements used in the calculation, such as market risk premium, beta ratio and capital structure are based on market data adequate for the industry in which the Eurocash Group operates.
A growth rate of 2.5% was adopted for the residual period.

0.25pp deviation of the discount rate for the Wholesale segment would result in a decrease / increase in recoverable amount by approx. 350 million, while a change in gross margin by 0.25 pp. - respectively by about 800 million.
Increase / decrease of the discount rate by 0.25 pp as well as a decrease / increase in the margin by 0.25 pp does not lead to impairment of the cash-generating unit to which goodwill is allocated.
Changing any key parameter does not create a risk of goodwill impairment.

Impairment tests of trademarks

For intangible assets with indefinite useful lives, the Group performed the following impairment tests:
- impairment test of the "Eurocash" trademark with a value of PLN *27.387.672* as at 31.12.2019,
- impairment test of the "abc" trademark with a value of PLN *17.216.759* as at 31.12.2019,

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

Valuation method, by fair value decreased by cost of sales, based on license fees consists in determining the present value of future economic benefits derived by an entity from holding the title to a trademark. This method is based on the assumption that benefits derived from a trademark are equal to costs which would have to be incurred by an entity with no rights to the trademark (if the trademark had been used under an arm's length license agreement). Fair value was qualified to the 3rd hierarchy level.
The market level of license fees is determined based on projection of sales of products carrying the trademark and determining the rate of license fee for using that trademark. The rate of license fee is determined based on the analysis of trademark lease agreements concluded on arm's length terms.
Tests were carried out based on financial projections for the years 2020-2024. To determine the values of selected projection ratios, historical data was used for year 2017 and plans approved by the Management Board of Eurocash S.A. for the years 2020-2024. In order to determine the total level of sales, sales increases were predicted for the existing locations at the date of the test.
The weighted average cost of capital – WACC from 6,35% (2018: from 6.71%) was adopted as a discount rate.

In the opinion of the Management Board, no rational change in the key parameter / assumption causes the risk of impairment of the assets indicated with an indefinite useful life.

NOTE 8.
INVESTMENT PROPERTIES

Investment properties are presented below:

INVESTMENT PROPERTY AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Opening balance	**957 103**	**972 799**
Depreciation	(15 696)	(15 696)
Closing balance	**941 407**	**957 103**

NOTE 9.
INVESTMENTS IN COMPANIES VALUED USING THE EQUITY METHOD

Investments in companies valued using the equity method are presented below:

INVESTMENTS IN EQUITY ACCOUNTED INVESTEES AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Opening balance	**27 533 591**	**32 415 896**
Increase in reporting period:	**2 206 269**	**-**
Acquisition of shares	2 206 269	-
Decrease in reporting period:	**(5 120 404)**	**(4 882 304)**
Interest in losses	(5 120 404)	(4 882 304)
Closing balance	**24 619 456**	**27 533 591**

NOTE 10.
OTHER LONG-TERM INVESTMENTS

Other investments are presented below:

OTHER LONG-TERM INVESTMENTS AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Loans granted to associates	-	184 945
Shares in other entities	436 491	436 480
Other long-term financial assets	6 628 000	3 000 000
	7 064 491	**3 621 425**

Other long-term financial investments include Frisco bonds that were granted on market terms with a deadline of over 12 months..

NOTE 11.
LONG-TERM RECEIVABLES

Long-term receivables are presented below:

LONG-TERM RECEIVABLES AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Security deposits on rental agreements	9 588 280	13 447 785
Other long-term receivables	4 735 393	7 050 000
	14 323 673	**20 497 785**

NOTE 12.
OTHER LONG-TERM PREPAYMENTS

Other long-term prepayments are presented below.

OTHER LONG-TERM PREPAYMENTS AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
IT licences	-	15 548
Rentals	541 097	9 000
Insurance	550 000	700 000
Alcohol licences	1 928	1 046
Rental of premises - premium	277 951	381 122
Other prepayments	243 814	238 266
	1 614 790	**1 344 982**

NOTE 13.
INVENTORIES

Inventories are presented below:

INVENTORIES AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Merchandise	1 269 439 984	1 290 134 444
Materials	1 833 101	1 867 162
Total inventories, including:	**1 271 273 085**	**1 292 001 606**
- carrying amount of inventory deposits securing payments of liabilities	278 000 000	258 000 000

ALLOWANCE FOR INVENTORIES IN THE PERIOD FROM 01.01 TO 31.12.2019

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Opening balance	**35 609 883**	**30 467 146**
- increase in the allowance during the period *	5 571 869	5 142 737
Closing balance	**41 181 752**	**35 609 883**

** net value*

NOTE 14.

TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables are presented below:

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Trade receivables	**1 404 893 545**	**1 343 421 596**
Receivables from clients	783 654 145	783 291 630
Receivables from suppliers	548 888 576	497 220 207
Receivables from franchisees *	20 302 879	23 593 244
Franchise fees	16 006 042	26 689 117
Other trade receivables	94 921 230	74 319 283
Allowance for trade receivables	(58 879 327)	(61 691 885)
Current tax assets	**808 002**	**1 370 241**
Other receivables	**111 963 366**	**133 224 204**
VAT settlements	91 914 734	88 555 070
Receivables subject to legal proceedings	102 064 367	96 804 759
Allowance for other bad debts	(100 600 136)	(96 246 777)
Receivables from employees	2 205 057	1 202 892
Insurance claims receivables	458 602	4 455 526
Receivables from sales fixed assets	1 603 541	276 161
Other receivables (irrelevant individually)	14 317 202	38 176 573
Total receivables, including:	**1 517 664 913**	**1 478 016 042**
- short-term	1 517 664 913	1 478 016 042

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

NOTE 15.
SHORT-TERM INVESTMENTS

Short-term investments are presented below:

OTHER SHORT-TERM INVESTMENTS AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Loans granted	2 166 217	-
Other short-term investments	767 287	
	2 933 505	**-**

The decrease in the value of other short-term financial assets results from the sale of shares, shares in other entities that were classified as assets held for sale.

NOTE 16.
SHORT-TERM PREPAYMENTS

Short-term prepayments are presented below.

SHORT-TERM PREPAYMENTS AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Alcohol licences	8 303 017	14 380 105
Rentals	2 141 521	5 022 565
Media	46 662	54 006
Insurances	5 969 141	5 378 948
Advisory services	10 333 939	-
Lease of commercial premises	1 511 200	1 978 914
Software and licenses	653 998	-
Other settlements	-	2 089 613
Other short-term prepayments	4 898 415	9 416 116
	33 857 892	**38 320 268**

NOTE 17.
CASH AND CASH EQUIVALENS

Cash and cash equivalents are presented below:

CASH AND CASH EQUIVALENTS AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Cash at bank	43 528 326	91 480 667
Cash on hand	13 694 919	6 600 971
Cash in transit	69 132 146	69 718 892
Cash on short-term deposits	12 013 607	22 815 178
Cash restricted to use	7 764 586	5 476 091
Others	536 276	467 052
Total cash	**146 669 860**	**196 558 852**

Cash on VAT accounts as at 31.12.2019 amounted to 7.764.586 PLN (as at 31.12.2018 amounted to 5.476.091 PLN).

NOTE 18.
SHARE CAPITAL

Share capital is presented below:

SHARE CAPITAL AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Number of shares	139 163 286	139 163 286
Nominal value (PLN / share)	1	1
Share capital	**139 163 286**	**139 163 286**

As at 31 December 2019, share capital consisted of 139.163.286 ordinary shares, including:
- 127.742.000 A series ordinary shares to the bearer with the nominal value of 1 PLN each
- 3.035.550 B series ordinary shares to the bearer with the nominal value of 1 PLN each
- 2.929.550 C series ordinary shares to the bearer with the nominal value of 1 PLN each
- 830.000 D series ordinary shares to the bearer with the nominal value of 1 PLN each
- 1.414.900 E series ordinary shares to the bearer with the nominal value of 1 PLN each
- 537.636 F series ordinary shares to the bearer with the nominal value of 1 PLN each
- 997.000 G series ordinary shares to the bearer with the nominal value of 1 PLN each
- 941.000 H series ordinary shares to the bearer with the nominal value of 1 PLN each
- 253.000 I series ordinary shares to the bearer with the nominal value of 1 PLN each
- 482.650 M series ordinary shares to the bearer with the nominal value of 1 PLN each

The structure of shareholders with more than 5% of the total number of voting rights is presented below:

SHAREHOLDERS STRUCTURE

	31.12.2019				31.12.2018			
Shareholder	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 indiriectly by Politra B.V.)	61 287 778	44,04%	61 287 778	44,04%	61 287 778	44,04%	61 287 778	44,04%
Azvalor Asset Management S.G.I.I.C. S.A.	11 593 954	8,33%	11 593 954	8.33%	13 605 690	9,78%	13 014 591	9,35%

Luis Amaral holds a total of 44.04% of the shares of Eurocash S.A. directly and indirectly through:
- Politra B.V. S.A.R.L. with its registered office in Luxembourg, whose only shareholder holding 100% shares is Portugese Private Investment Ltd. with its registered office in Great Britain, whose only shareholder is Luis Amaral,
- Western Gate Private Investments Ltd. with its registered office in Great Britain, whose only shareholder is Portugese Private Investment Ltd. with its registered office in Great Britain, whose only partner is Luis Amaral.

Changes in the initial capital were as follows:

SHARE CAPITAL IN THE PERIOD FROM 01.01 TO 31.12.2019

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Share capital at the beginning of the period	**139 163 286**	**139 163 286**
Increase of share capital in the period	**-**	**-**
Incentive programs for employees	-	-
Share capital at the end of the period	**139 163 286**	**139 163 286**

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 the hedged transactions.

Dividend

On 19 June 2019, in accordance with the decision of the Ordinary General Meeting of Eurocash S.A., a dividend of PLN 1,00 per share. The total amount of the paid dividend was PLN 139.163.286.

NOTE 19.
SHARE OPTIONS

Treasury share options are presented below:

OPTIONS FOR SHARES IN THE PERIOD FROM 01.01 TO 31.12.2019

	Number of options	Weighted average exercise prices (PLN/share)
Existing at the beginning of the reporting period	2 906 250	32,51
Granted in the reporting period	-	-
Exercised in the reporting period	-	-
Expired in the reporting period	(106 250)	32,51
Existing at the end of the reporting period	2 800 000	32,51
including:		
Exercisable at the end of the period	2 800 000	32,51

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

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

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

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

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

In the year ended on 31.12.2019, no options were exercised.

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

The fair value of the share purchase option is presented in the consolidated income statement as manager options program costs in correspondence with the increase of the equity (reserve capital).

NOTE 20.
PROVISIONS AND ACCRUALS

Provisions and accruals are presented below:

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01 TO 31.12.2019

	Employee benefits	Accrual for costs of transport	Accrual for advertising costs	Accrual for wholesalers income commission
Provisions and accruals as at 01.01.2018	**109 084 141**	**7 681 187**	**37 081 422**	**98 400**
Increase due to joining of subsidary	18 920 290	-	-	-
Increases*	6 529 732	-	5 648 597	-
Decreases*	(17 616 797)	(616 673)	-	(20 177)
Provisions and accruals as at 31.12.2018, including:	**116 917 365**	**7 064 513**	**42 730 020**	**78 223**
- short-term	111 240 638	7 064 513	42 730 020	78 223
- long-term	5 676 727	-	-	-
Provisions and accruals as at 01.01.2019	**116 917 365**	**7 064 513**	**42 730 020**	**78 223**
Increase due to acquisition	1 511 544	-	-	-
Increases*	44 137 486	5 143 436	-	-
Decreases*	(7 503 909)	-	(26 907 384)	(12 573)
Provisions and accruals as at 31.12.2019, including:	**155 062 486**	**12 207 949**	**15 822 635**	**65 650**
- short-term	147 718 272	12 207 949	15 822 635	65 650
- long-term	7 344 214	-	-	-

** net value*

	Provision for interests	Accrual for costs of media	Other	**Total**
Provisions and accruals as at 1 January 2018	**8 865 239**	**8 366 606**	**80 698 284**	**251 875 278**
Increase due to joining of subsidary	6 822 841	-		25 743 131
Increases*	-	1 015 217	74 977 143	88 170 690
Decreases*	(674 268)	-	-	(18 927 916)
Provisions and accruals as at 31 December 2018, including:	**15 013 812**	**9 381 823**	**155 675 427**	**346 861 182**
- short-term	15 013 812	9 381 823	154 732 289	340 241 317
- long-term	-	-	943 138	6 619 865
Provisions and accruals as at 1 January 2019	**15 013 812**	**9 381 823**	**155 675 427**	**346 861 182**
Increase due to acquisition	-	-	-	1 511 544
Increases*	-	5 511 483	8 627 986	63 420 391
Decreases*	(9 627 531)	-	-	(44 051 398)
Provisions and accruals as at 31 December 2019, including:	**5 386 281**	**14 893 306**	**164 303 413**	**367 741 720**
- short-term	5 386 281	14 893 306	162 323 413	358 417 506
- long-term	-	-	1 980 000	9 324 214

** net value*

PROVISIONS AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Employee benefits	155 064 505	116 917 365
Accrual for advertising costs	15 822 635	42 730 020
Accrual for intrests	14 310 841	15 013 812
Accrual for costs of media	14 893 306	9 381 823
Accrual for ligitations	4 034 965	4 230 476
Accrual for advisory and audit	2 542 815	13 756 778
Accrual for costs of transport	12 207 949	7 064 513
Accrual for rental costs	7 821 871	6 358 860
Accrual for agent's commisions	65 650	78 223
Accural for IT modernist works	1 502 765	1 034 806
Accrual for bonuses	11 592 207	8 620 321
Accrual for the costs of liquidation of the locations	-	1 719 326
Accrual for concessions	3 315 380	1 306 980
Other provisions and accruals	124 566 832	118 647 879
	367 741 720	**346 861 183**
- long-term	9 324 214	6 619 865
- short-term	358 417 506	340 241 317

Provisions and liabilities for employee benefits

Provisions and liabilities for employee benefits include provision for retirement benefits 6.504.022 PLN (the remaining part mainly pay liabilities and provisions for holidays).

Provision for retirement benefits was calculated using the actuary. The actuarial estimations include discount rate of 2.8%, 3.2% wage decrease.

Provision for the costs of advertising and marketing

Provision for advertising and marketing costs include mainly provisions related to the allocation of the marketing services provided by the receivers.

It is expected that these provisions will be realized within 12 months from 31 December 2019.

Provision for interest

Provision applies to the estimated costs associated with unpaid liabilities for which contractual dates passed as at 31 December 2019.

It is expected that the reserve will be completed within 12 months from 31 December 2019.

NOTE 21.
TRADE AND OTHER PAYABLES

Trade and other payables are presented below:

TRADE AND OTHER PAYABLES AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Trade payables	**3 794 789 276**	**3 813 380 430**
Payables due to purchase of goods	3 560 047 106	3 563 170 468
Payables due to services received	191 555 676	182 667 112
Payables due to reversal of remuneration	43 186 494	67 542 851
Current tax liabilities	**49 233 587**	**55 191 844**
Other payables	**195 429 702**	**174 596 713**
VAT settlements	19 756 406	8 876 185
Liabilities due to purchases of assets	14 357 954	21 964 847
Liabilities due to social securities	61 028 147	49 748 828
Liabilities due to taxes and insurances	14 210 557	14 332 794
Liabilities from deposit	4 607 957	4 465 226
Option for purchase/selling the shares	69 761 777	57 363 613
Other payables	11 706 903	17 845 219
Total payables, including:	**4 039 452 566**	**4 043 168 987**
- long-term	4 132 977	63 940 083
- short-term	4 035 319 588	4 042 310 458

The Group assessed the liabilities covered by reverse factoring and based on this judgment classified the liabilities due to the so-called reverse factoring. reverse factoring as a liability for deliveries and services, because in connection with the handing over of the factoring commitments, there were no significant changes in the nature of these liabilities, in particular significant changes to the terms of payment, in particular, the payment deadlines agreed with the suppliers were not exceeded. As part of the balance of trade liabilities as at 31 December 2019, the value of balances covered by the vendor financing program in the amount of PLN 1.806.000.577 was included, while as at 31 December 2018, the respective balance amounted to PLN 1.618.297.269.

As part of the settlement of the acquisition of 50% shares in Firma Rogala Sp. o.o., FHC-2 Sp. o.o. and Madas Sp. o.o., in these consolidated financial statements have been included options to repurchase the remaining 50% of shares by Eurocash S.A. granted by Eurocash S.A. to the other shareholders of Firma Rogala, FHC-2 and Madas. Options can be exercised at the earliest after 3 years from the date of acquisition. These options, valuated as at 31.12.2019 in the total amount of PLN 69.761.777 were included in other short-term liabilities and the corresponding entry in equity (option for purchase / selling the shares).

NOTE 22.
LOANS AND BORROWINGS

Loans and borrowings are presented below:

LOANS AND CREDITS AS AT 31 DECEMBER 2019

	Credit destination	Liability amount	Interest rate	Costs for the period from 01.01.2019 to 31.12.2019
Credits				
Bank 1	Loan for financing current activity	3 433 470	WIBOR + bank's margin	
Bank 2	Loan for financing current activity	9 629 926	WIBOR + bank's margin	
Bank 3	Overdraft for financing of current activities	8 452 087	WIBOR + bank's margin	
Bank 4	Overdraft for financing of current activities	70 398 299	WIBOR + bank's margin	
Bank 5	Overdraft for financing of current activities	43 919 199	WIBOR + bank's margin	
Bank 6	Overdraft for financing of current activities	4 912 029	WIBOR + bank's margin	
Bank 7	Overdraft for financing of current activities	108 045 553	WIBOR + bank's margin	
Bank 8	Overdraft for financing of current activities	400 000 000	WIBOR + bank's margin	
			Total costs	30 302 479
Total loans and credits		**648 790 562**		-
- short-term		648 790 562		

LOANS AND CREDITS AS AT 31 DECEMBER 2018

	Credit destination	Liability amount	Interest rate	Costs for the period from 01.01.2018 to 31.12.2018
Credits				
Bank 1	Loan for financing current activity	400 000 000	WIBOR + bank's margin	x
Bank 2	Loan for financing current activity	8 116 533	WIBOR + bank's margin	x
Bank 3	Loan for financing current activity	34 809 741	WIBOR + bank's margin	x
Bank 4	Loan for financing current activity	6 358 445	WIBOR + bank's margin	x
Bank 5	Loan for financing current activity	4 395 937	WIBOR + bank's margin	x
Bank 6	Loan for financing current activity	2 008 628	WIBOR + bank's margin	x
Bank 6	Loan for financing current activity	87 065 350,50	WIBOR + bank's margin	x
			Total costs	17 438 606
Total loans and credits		**542 754 634**		-
- short-term		542 754 634		

In addition, the Group has a line of credit in the form of a negative balance to the amount of 700 m PLN in bank syndicate. As at 31.12.2019, the limit was reached to the level PLN 400 m.

Eurocash Serwis Sp. o.o. has a flexible credit with a limit to the amount of PLN 110 m. As at 31.12.2019, the limit was reached to the level PLN 108,5 m.

In accordance to the credit agreements, the Group is obligated to maintain certain financial ratios at a defined level and for the activity of indicated in the contracts framework. During the reporting period the Group performed all the terms of loan agreements and there was no case of violation. What is more, according to the credit agreements the Group has issued the securities, details of which are expanded in Note 35.

NOTE 23.
OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented below:

FINANCIAL LIABILITIES AS AT 31.12.2018

	as at 31.12.2019	as at 31.12.2018
Finance lease liabilities	-	8 469 417
Liabilities related to financing of franchisees *	20 302 879	23 593 244
Valuation of hedging instruments	866 531	3 695 592
	21 169 410	**35 758 253**
- long-term	70 671	3 003 350
- short-term	21 098 739	32 754 903

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

FINANCE LEASE

FINANCE LEASE AS AT 31.12.2019

	as at 31.12.2019 minimum fees	as at 31.12.2019 present value of minimum lease payments	as at 31.12.2018 minimum fees	as at 31.12.2018 present value of minimum lease payments
Future minimum finance lease payments due to lease agreements				
Less than one year	-	-	5 253 924	5 142 497
Between one and five years	-	-	3 372 286	3 326 920
More than five years	-	-	-	-
Total future minimum finance lease payments due to llease agreements	**-**	**-**	**8 626 211**	**8 469 417**
Finance costs	-	X	156 794	X
Present value of minimum lease payments due to finance lease agreements	**-**	**-**	**8 469 417**	**8 469 417**

According to the implementation of the International Financial Reporting Standard 16 Leases ("IFRS 16"), liabilities under finance leases were presented for the last time as at 31 December 2018. From 1 January 2019, finance lease liabilities are presented under lease liabilities in accordance with point 1.3 of these financial statements.

NOTE 24.
LEASE LIABILITIES

Income tax for the reporting period is presented below:

LEASE AS AT 31.12.2019

	as at 31.12.2019 minimum fees	as at 31.12.2019 present value of minimum lease payments	as at 31.12.2018 minimum fees	as at 31.12.2018 present value of minimum lease payments
Future minimum lease payments due to lease agreements				
Less than one year	357 008 678	297 625 202	-	-
Between one and five years	968 911 054	817 183 932	-	-
More than five years	834 191 389	709 837 363	-	-
Total future minimum lease payments due to llease agreements	**2 160 111 121**	**1 824 646 498**	**-**	**-**
Finance costs	335 464 623	X	-	X
Present value of minimum lease payments due to lease agreements	**1 824 646 498**	**1 824 646 498**	**-**	**-**

Lease liabilities consist of all the agreements, which are the lease or include the lease, due to International Financial Reporting Standard 16 Leases ("IFRS 16") from 1 January 2019 in connection with p. 1.3 these consolidated financial statements.

NOTE 25.
INCOME TAX

Income tax for the reporting period is presented below:

INCOME TAX FOR THE PERIOD FROM 01.01 TO 31.12.2019 (main components)

Income statement	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Current income tax	(92 883 167)	(87 523 775)
Deferred tax	58 585 944	43 624 796
Total income tax	**(34 297 223)**	**(43 898 979)**

TAX RECONCILIATION FOR THE PERIOD FROM 01.01 TO 31.12.2019

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Profit before tax	**113 422 816**	**155 551 250**
Income tax calculated base on 19% income tax rate	(21 701 482)	(29 234 938)
Negative temporary differences, for which the deferred tax asset was recognized in current year	(9 407 210)	(25 228 517)
Adjustment of current tax of previous years	(57 970)	(320 061)
Assets from tax loss	-	23 806 479
Other differences, including PFRON	(3 130 561)	(12 921 943)
Income tax in income statement	**(34 297 223)**	**(43 898 979)**
Effective tax rate	30,24%	28,22%

UNCERTAIN TAX TREATMENT

Regulations regarding VAT, corporate profits tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies.

Tax and other settlements (e.g. customs or foreign currency settlements) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in Poland than in countries that have a more established taxation system.

Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

In the previous reporting periods, companies within the Group carried out transactions and participated in restructuring processes, which may be the subject of analysis and control of tax authorities.

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

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

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

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

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

On 28 September 2017, the Head of the Customs and Revenue Office for Wielkopolska Region in Poznań issued a decision to Eurocash S.A., in which he stated in the case above that the Company had an understatement of tax liability for 2011 of PLN 8 million. On the basis of an external legal expert analysis, on 17 October 2017, the Company appealed against this decision. It mentions a number of arguments for the correctness of the tax settlements made by the Company, including confirmation of the correctness of the settlements through the positive interpretations of tax law. As a result, as at 31 December 2018, the Management Board of the Company has no confirmation for creating of any provisions due to these interpretations.

On 28 February 2018, the Head of the Customs and Revenue Office for Wielkopolska Region in Poznań initiated an audit of corporate income tax for 2016. As at 12 March 2020, the audit was not completed.

On 17 December 2019, the Head of the Customs and Revenue Office for Wielkopolska Region in Poznań initiated a customs and tax audit in the area of corporate income tax for 2014 and 2015. As at 12 March 2020, the above-mentioned controls were not completed

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

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

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

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

NOTE 26.
DEFFERED TAX

Deferred tax is presented below:

DEFERRED TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at 31.12.2019	as at 31.12.2018	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Deferred tax liabilities						
- difference between tax and carrying amount of fixed assets	57 795 675	50 505 380	7 290 296	12 450 376	-	-
- not invoiced income	57 670 422	53 117 295	4 553 127	(25 818 266)	-	-
- revenues from accrued interests	1 390 101	1 448 354	(58 254)	358 742	-	-
- lease liabilities	759 535	4 598 141	(3 838 607)	(1 366 529)	-	-
- income from contractual penalties unpaid	1 290 961	1 277 515	13 446	112 853	-	-
- other	5 859 326	2 772 137	3 087 189	357 598	-	-
Gross deferred tax liabilities	**124 766 019**	**113 718 822**	**11 047 197**	**(13 905 227)**	**-**	**-**

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019 (continued)

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at 31.12.2019	as at 31.12.2018	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
		-				
Deferred tax assets						
- bonuses	2 589 212	7 268 996	4 679 783	5 425 616	-	-
- allowance for inventories	4 702 298	4 487 122	(215 177)	(58 097)	-	-
- allowance for bad debts	23 838 330	23 312 657	(525 673)	(2 965 357)	-	-
- Impairment loss of fixed assets	2 763 472	703 071	(2 060 401)	1 180 563	-	-
- tax losses from prior years	-	31 330 250	31 330 250	(12 922 087)	-	-
- holiday accrual	6 962 357	6 548 847	(413 510)	926 004	-	-
- accrual for employees' bonuses	6 451 525	3 351 423	(3 100 102)	393 430	-	-
- unpaid payroll and social securities	5 746 123	4 683 068	(1 063 055)	(54 099)	-	-
- provision for retirement benefits, disability benefits, death benefits	1 361 058	1 135 338	(225 720)	(176 341)	-	-
- provisions for legal disputes	662 677	831 597	168 920	642 672	-	-
- accruals	14 871 020	27 752 234	12 881 213	(11 955 502)	-	-
- lease liabilities	158 336	158 607	272	23 378	-	-

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019 (continued)

	Statement of financial position		Income statement		Statement of comprehensive income	
	as at	as at	for the period	for the period	for the period	for the period
	31.12.2019	31.12.2018	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Deferred tax assets						
- accrued interest on trade payables	1 502 324	310 828	(1 191 496)	721 393	-	-
- diference betw een right of use and lease liabilities	5 049 350	-	(5 049 350)	-	-	-
- asset for the cost of intangible services	10 170 838	-	(10 170 838)	-	-	-
- asset for future tax benefits	65 587 583	-	(65 587 583)	-	-	-
- other accruals	75 446 548	46 355 875	(29 090 673)	(10 901 141)	-	-
Gross deferred tax assets	**227 863 053**	**158 229 912**	**(4 045 558)**	**(29 719 569)**	**-**	**-**
Allow ance of deferred tax asset	-	-	-	-	-	-
Deferred tax assets	**227 863 053**	**158 229 912**	**(4 045 558)**	**(29 719 569)**	**-**	**-**
Deferred income tax effect			**7 001 639**	**(43 624 796)**	**-**	**-**
Net deferred tax liabilities	**19 806 994**	**5 954 698**	**X**	**X**	**X**	**X**
Net deferred tax assets	**122 904 027**	**50 465 787**	**X**	**X**	**X**	**X**

In 2019, there was a purchase / sale of an organized part of Mila within the Eurocash Group.

In connection with this transaction, the companies in the Group settled tax loss from previous years and paid income tax in 2019, while recognizing an asset due to future tax benefits related to tax depreciation of recognized goodwill.

NOTE 27.
SALES IN THE REPORTING PERIOD

Sales are presented below:

SALE IN THE PERIOD FROM 01.01 TO 31.12.2019

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Sale of goods	24 719 807 498	22 680 894 721
Sale of services	127 140 587	147 571 330
Sales of materials	5 292 611	4 422 347
Total sale	**24 852 240 696**	**22 832 888 398**

The sale of goods is homogeneous.
In terms of sales of services, the main revenues are from services for the operation of the franchise network, franchise fees and provision of logistics services.

NOTE 28.
COSTS BY TYPE

Costs by type are presented below:

COSTS BY TYPE IN THE PERIOD FROM 01.01 TO 31.12.2019

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Depretiation	549 556 884	204 236 151
Materials and energy	203 924 088	193 704 565
External services	707 678 470	1 004 775 402
Taxes and charges	58 737 890	47 526 844
Salaries	1 193 105 985	1 022 051 881
Social security and other benefits	225 695 140	195 490 940
Other costs by type	91 210 308	67 163 660
Costs by type	**3 029 908 765**	**2 734 949 443**
including:		
Cost of goods sold	2 633 807 687	2 346 015 922
General and administrative expenses	394 834 573	388 933 521

NOTE 29.
OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are presented below:

OTHER OPERATING INCOME AND EXPENCES 01.01 TO 31.12.2019

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Other operating income	**87 034 992**	**134 285 628**
Penalties for suppliers	11 199 421	14 326 145
Other sales	8 343 070	11 706 209
Sub-lease of premises	5 156 111	3 451 644
Profit on sales of fixed assets	2 334 197	1 004 319
Compensation received	2 077 768	1 286 810
Revenus from transport services	343 180	264 969
Reversal of allowance for bad debts	6 772 849	1 099 255
Reversal of allowance for inventories	1 191 600	532 973
Expired litigations and payables	-	3 277
Car rentals	138 692	136 587
Bonus due to trade agreement	22 741 012	-
Profit from the sale of shares in subsidiaries	-	74 774 054
Donation received	2 544 827	1 865 013
Other (irrelevant individually)	24 192 265	23 834 374
Other operating expenses	**(56 845 522)**	**(66 839 973)**
Loss from disposals of property, plant and equipment	(4 211 115)	(10 290 556)
Impairment loss on trade receivables and other financial assets	(2 315 707)	(20 369 769)
Expansion	(2 500 000)	-
Paid penalties	(3 980 410)	(900 598)
Compensations	(1 243 068)	-
Ligitations	(6 657 351)	(5 681 514)
Costs related to payment card commissions	(3 745 908)	(2 922 426)
Other (irrelevant individually)	(32 191 962)	(26 675 110)
Other net operating income / expenses	**30 189 470**	**67 445 655**

NOTE 30.
FINANCE INCOME AND COSTS

Finance income and costs are presented below:

FINANCE INCOME AND COSTS IN THE PERIOD FROM 01.01 TO 31.12.2019

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Finance income	**36 307 202**	**35 915 044**
Revenues from discounts	9 070 281	11 339 123
Interest	8 163 834	11 626 623
Foreign exchange gains	3 691 960	38 341
Dividends	708 278	597 821
Revenues from the sale of short-term investments	120 001	241 311
Other financial income (irrelevant individually)	14 552 848	12 071 826
Finance costs	**(162 286 198)**	**(89 856 973)**
Interest	(152 297 175)	(82 252 975)
Bank fees	(5 218 991)	(4 741 045)
Foreign exchange losses	(618 083)	(625 563)
Other financial expenses (irrelevant individually)	(4 151 949)	(2 237 390)
Net finance expenses	**(125 978 996)**	**(53 941 930)**

NOTE 31.
EARNINGS PER SHARE

Earnings per share are presented below:

EARNINGS PER SHARE FOR THE PERIOD FROM 01.01 TO 31.12.2019

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Earnings		
Profit (loss) for the period attributable to the Owners of the Company	69 862 037	109 644 174
Number of issued shares		
Weighted average number of shares	139 163 286	139 163 286
Dilution efect of potential number of shares:		
Convertible bonds	-	-
Weighted average number of shares (to calculate diluted earnings per share)	139 163 286	139 163 286
Earnings per share		
- basic	0,50	0,79
- diluted	0,50	0,79

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

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

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 market value during the period.

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

Description of factors diluting the number of shares

Earnings per share are diluted as a consequence of a realization of share option programs described in Note 19.

NOTE 32.
REMUNERATION AND OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE PARENT IN THE PERIOD FROM 01.01 TO 31.12.2019

	Basic salary	Other benefits	Managerial optoins	Total
Remuneration of the Members of the Management Board				
Luis Amaral	480 000	17 316	-	497 316
Rui Amaral	1 300 000	517 316	-	1 817 316
Arnaldo Guerreiro	855 000	28 836	-	883 836
Pedro Martinho	950 000	28 836	-	978 836
Katarzyna Kopaczewska	840 000	17 316	-	857 316
Jacek Owczarek	870 000	29 658	-	899 658
Przemysław Ciaś	675 000	31 501	-	706 501
	5 970 000	**670 780**	**-**	**6 640 780**
Remuneration of the Members of the Supervisory Board				
Joao Borges de Assuncao	76 535	-	-	76 535
Alicja Kornasiewicz	76 536	-	-	76 536
Jorge Mora	140 633	-	-	140 633
Ewald Raben	140 633	-	-	140 633
Renato Arie	140 633	-	-	140 633
Francisco José Valente Hipólito dos Santos	216 584	-	-	216 584
Hans Joachim Körber	216 584			216 584
Jacek Szwajcowski	76 536			76 536
	1 084 672	**-**	**-**	**1 084 672**

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE PARENT IN THE PERIOD FROM 01.01 TO 31.12.2018

	Basic salary	Other benefits	Managerial optoins	Total
Remuneration of the Members of the Management Board				
Luis Amaral	480 000	17 316	-	497 316
Rui Amaral	1 560 000	17 316	-	1 577 316
Arnaldo Guerreiro	1 020 000	28 836	-	1 048 836
Pedro Martinho	1 200 000	28 906	-	1 228 906
Katarzyna Kopaczewska	960 000	17 316	-	977 316
Jacek Owczarek	1 080 000	28 836	-	1 108 836
Przemysław Ciaś	775 667	34 215	-	809 882
Paweł Musiał	140 000	20 532	-	160 532
	7 215 667	**193 275**	**-**	**7 408 941**
Remuneration of the Members of the Supervisory Board				
Joao Borges de Assuncao	213 975	-	-	213 975
Eduardo Aguinaga de Moraes	67 515	-	-	67 515
Francisco José Valente Hipólito dos Santos	213 975	-	-	213 975
Hans Joachim Körber	213 975	-	-	213 975
Jacek Szwajcowski	213 975	-	-	213 975
Alicja Kornasiewicz	147 055	-	-	147 055
	1 070 470	**-**	**-**	**1 070 470**

NOTE 33.
EMPLOYMENT

Number of employees as at 31.12.2019 is presented below:

NUMBER OF EMPLOYEES AS AT 31.12.2019

	as at 31.12.2019	as at 31.12.2018
Number of employees	22 497	21 873
Number of full-time jobs	22 244	21 674

Employment structure as at 31.12.2019 is presented below:

EMPLOYMENT STRUCTURE AS AT 31.12.2019

	Wholesale discounts and distribution centres	Head office	Total
Number of employees	20 029	2 468	**22 497**
Number of full-time jobs	19 836	2 407	**22 244**

Data concerning employee turnover ratios as at 31.12.2019 is presented below:

EMPLOYEE TURNOVER IN THE PERIOD FROM 01.01 TO 31.12.2018

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Number of hired employees	6 198	6 198
Number of hired employees - Acquisitions	904	4 662
Number of dismissed employees	(6 399)	(6 651)
Number of dismissed employees - Sale of subsidiares	(79)	-
	624	**4 209**

NOTE 34.
DATA OF ITEMS NOT INCLUDED IN THE FINANCIAL STATEMENTS

CONTINGENTIES AS AT 31.12.2019

	Beneficiary	Title	Currency	as at 31.12.2019	as at 31.12.2018
1.	Bank 1 *	Surety for the obligations due to the "Franchise partners financing program" for the Franchisee Delkatesy Centrum	PLN	1 808 658	4 815 009
2.	Bank 2	Surety for the finance liabilities of Frisco S.A.	PLN	31 433 278	4 825 494
				33 241 936	**9 640 503**

* debt value as at balance sheet date

OTHER BANK GUARANTEES AS AT 31.12.2019

	The Issuer	Title	Currency	as at 31.12.2019	as at 31.12.2018
1	Bank 1	Security of payments to suppliers	PLN	129 372 000	104 585 000
2	Bank 2	Security of payments to suppliers*	PLN*	20 421 421	15 414 936
3	Bank 3	Security for using of the national roads	PLN	620 100	620 100
4	Bank 4	Security of excise duty	PLN	500 000	300 000
5	Bank 5	Security of rent liabilities	PLN	10 471 836	12 058 952
6	Bank 6	Security of rent liabilities*	PLN	37 514 875	36 349 913
7	Bank 7	Security of the liabilities of the promotion lottery	PLN	2 032 132	1 547 098
				200 932 363	**170 875 999**

* Converted at an average rate of NBP as at 31 December 2019 1 EUR 4,2585 PLN; as at 31 December 2018 1 EUR 4,3000 PLN.

NOTE 35.
COLLATERALS

SECURITY ON ASSETS AS AT 31.12.2019

Title	Secured property	as at 31.12.2019	as at 31.12.2018
Security on the credit line agreement *	Deposit on inventories Eurocash S.A.	90 000 000	90 000 000
Guarantee on securing the payment for suppliers*	Deposit on inventories Eurocash Serwis Sp. z o.o.	100 000 000	80 000 000
Security on the credit line agreement *	Deposit on inventories Eurocash S.A.	88 000 000	88 000 000
Security on the consolidated loan agreement to the amount 700.000.000 PLN *	Deposit on inventories Eurocash Serwis Sp. z o.o.	9 547 300	9 547 300
Security on the consolidated loan agreement to the amount 700.000.000 PLN *	Deposit on inventories Eurocash Franczyza Sp. z o.o.	3 800 000	3 800 000
Security on the consolidated loan agreement to the amount 700.000.000 PLN *	Deposit on shares in Ambra Sp. z o.o.	8 000 000	-
Financial leasing agreements (due to net value of fixed assets at the balance sheet date)	Ownership of fixed assets in financial leasing	704 874	1 069 455
		300 052 174	**272 416 755**

* Nominal value of the minimum security

NOTE 36.
FINANCIAL RISK MANAGEMENT

General information

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

1 Credit risk
2 Liquidity risk
3 Market risk (including interest rate risk and currency risk)

In addition, the Group implements a policy regarding:
d. Capital management
e. Determining fair values

This note contains information about the Group's exposure to each type of risk indicated above and also describes the objectives, policies and procedures related to risk and capital management. Disclosures of numerical data have been included in these consolidated financial statements.
The Management Board of the Parent Entity is responsible for determining and fulfilling the risk management policy, which in order to fulfill these tasks has set up risk management teams, whose responsibilities include building and monitoring individual risk management policy.
The risk management policy is implemented to identify and analyze risks related to the Group's activity and to set appropriate limits, control risk and monitor deviations from these limits. The risk management policy and system are regularly reviewed to ensure that they correspond to current changes in market conditions and the Group's operations. By raising qualifications, adopting standards and procedures, the Group strives for a disciplined and constructive control of the environment in which all employees understand their role and responsibilities.

The Parent Entity also has an internal audit department that controls the implementation of risk management policies and procedures within the scope of the tasks entrusted to it. An internal audit performs both scheduled inspections and ad hoc verification procedures in this regard.

a. Credit risk

Credit risk is the risk of financial losses by the Group as a result of the client or contractor being a party to a financial instrument failing to fulfill its contractual obligations. Credit risk is mainly associated with the Group's receivables from customers and financial investments.
The table below presents the maximum exposure of the Group to credit risk.

CREDIT RISK EXPOSURE

	as at 31.12.2019	as at 31.12.2018
Receivable and loans	1 449 263 847	1 412 209 941
Cash and cash equivalents *	132 974 941	189 957 881
BANK GUARANTEES	200 932 363	170 875 999
	1 783 171 151	**1 773 043 820**

* excluding cash

Trade and other receivables

The Group's credit risk due to receivables differs for individual groups of contractors with whom the Group cooperates:

I. The sale of marketing services to suppliers of goods (promotional campaigns for goods, newsletters, advertising brochures) is subject to lower credit risk, as the receivables in this respect are, as a result of additional arrangements, largely deducted from liabilities to suppliers. This risk is managed in a team located in the Accounting Department, whose task is to correctly settle and offset receivables with the Group's liabilities on the basis of contracts with suppliers. The risk of non-payment is small due to the persistent natural advantage of the value of liabilities over receivables to suppliers. As part of managing the credit risk of this group of contractors, the Group focuses on ensuring working capital security.

II. Cash & Carry wholesalers and own stores, i.e. Delikatesy Centrum (including former Mila and Eko stores), Kontigo, Duży Ben and ABC on wheels are characterized by a very high share of cash sales. For Cash & Carry this percentage is 77%, for own stores it is close to 100% (no less than 95% in any period), while sales for cash in the entire Group is not less than 30%. The credit risk of this group of contractors is managed in the credit control and debt collection team being part of the Treasury Department. The same computer methods and systems are used in this process, and the same staff is involved as in the following processes for credit sales to franchise networks and independent customers.

III. Sales to franchise networks and to independent customers, taking into account all distributed categories, i.e. groceries, alcohol, tobacco products, gastronomy goods, etc. are mostly on credit. The share of credit sales in the whole group constitutes about 70%. Past due, although they are an inseparable part of the business of the FMCG industry, they do constitute only 10% of the total balance of receivables resulting from the sale of goods to the Group's customers. The level of losses resulting from the lack of payment for trade receivables (including provisions for future losses) increased by insurance costs and collection of these receivables is historically at the lowest level and did not exceed 0.05% of the Group's sales value in 2019. In order to assess the quality of the portfolio, the company monitors, among others the level of customer concentration using the Herfindahl-Hirschman Index (HHI), which constantly remains at low levels reaching 112 in 2019. The credit risk management process including credit analysis, setting limits, blocking sales, insurance of receivables, soft debt collection and debt recovery was placed in the credit control and debt collection team.

IV. Credit risk in financial investments - Cash and cash equivalents are invested in financial institutions of recognized reputation or instruments. The credibility check of these institutions consists in the financial analysis (including capital adequacy) of these entities and the monitoring of official ratings granted by such institutions as S&P, Moodys or Fitch. As at 31 December 2019, it is not expected that any counterparty of a financial transaction might fail to meet its obligations.

V. The Group monitors the amount of overdue receivables on an ongoing basis, in justified cases claims are made.

The Group writes down receivables in relation to expected credit losses. Expected credit losses result directly from the risk of each client and are calculated on the basis of models that include, among others payment history, type of business, geolocation, evaluation of cooperation and financial data. In 2019, the analysis showed that the write-off calculated according to the expected credit loss model is highly correlated in value with the write-off made in accordance with the principle of significantly past due receivables.

The following tables present the aging of trade receivables and their write-downs presented as per balance:

AGEING OF TRADE RECEIVABLES AND BAD DEBT ALLOWANCES

	Trade receivables gross as at 31.12.2019	Trade receivables gross as at 31.12.2018
current	1 181 246 703	1 106 691 329
0-30 days	177 005 799	172 015 409
31-90 days	57 898 667	54 611 275
91-180 days	11 420 058	13 950 266
> 180 days	36 201 646	57 845 201
	1 463 772 872	**1 405 113 481**

ALLOWANCE FOR BAD DEBTS AS AT 31.12.2019

	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2018 to 31.12.2018
Opening balance	61 691 885	60 866 973
Increases*	-	824 912
Decreases*	(2 812 557)	-
Closing balance	**58 879 328**	**61 691 885**

**net value*

b. Liquidity risk

The risk of losing financial liquidity is the risk of the Group being unable to repay its financial liabilities when they become due.

The policy of managing the risk of losing financial liquidity is to provide the funds necessary to meet the Group's financial and investment obligations when they become due, without incurring the risk of loss of reputation and unnecessary losses.

The basis for effective liquidity risk management in the Eurocash Group is the internal cash flow forecasting model. The Group's liquidity management focuses on detailed analysis, planning and taking appropriate actions in three areas:

I. area covering investments in non-current assets and other long-term assets (e.g. acquisition of companies)

The investment horizon taken into account in these analyzes covers from one month to a maximum of 36 months. The company prepares plans to cover the obligations arising from these plans with appropriate capital or amendments to financing agreements. As at 31 December 2019, the company does not anticipate that investment plans will require maintaining long-term financial liabilities in the Company's balance sheet. Investment plans, in particular plans for the development of the retail network, are so low-capital that actions in the field of capital changes or long-term financing agreements do not require adjustments. The company is prepared for potential changes in the scope and length of loan agreements in the event of a change in investment plans by maintaining balanced relationships on local money and capital markets. In addition, the company uses a revolving loan in its financial policy, whose long-term nature allows it to be used for potential investments, whether in fixed assets or acquisitions of business entities similar or complementary to the current operations of the Group. At the same time, as at 31 December 2019, the company has facilities for organizing the issue of long-term bonds up to PLN 500m thanks to the open issue program.

II. working capital

As at 31 December 2019, there was a surplus of the Group's current liabilities over its current assets in the amount of PLN 2.4 billion, which is typical for the industry in which the Eurocash Group operates, in which a significant part of sales is made on cash terms, inventory is minimized and past due receivables (in accordance with the procedures for the processes described in the 'credit risk' section above), and suppliers provide deferred payment terms.

- To finance liabilities to suppliers of goods, trade credit is used (about 49,3% of the balance of trade liabilities) and financial instruments (about 50,7% of the balance of trade liabilities). The Company uses financial instruments that facilitate capital management both for the Company and suppliers. In particular, the balance of liabilities in reverse factoring agreements as at 31 December 2019 was PLN 1,806.0 thousand. Trade liabilities covered by reverse factoring agreements do not significantly change the terms of trade liabilities.
- The company also has the possibility of discounting receivables. The company maintains receivables factoring programs, but their use as at 31 December 2019 does not exceed PLN 146 million.

In 2019, in connection with changes in regulations regarding payment gridlocks (amendment to the Act of 8 March 2013 on preventing excessive delays in commercial transactions introduced by the Act of 19 July 2019 amending certain acts to reduce payment gridlocks (Dz.U. z 2019 r. poz. 1649), corporate income tax and value added tax in so-called white list and split payment methods (amendments to the Act of 11 March 2004 on tax on goods and services introduced, among others, by the Act of 12 April 2019 on the amendment to the Act on tax on goods and services and certain other acts (Dz.U. z 2019 r. poz. 1018) and the Act of 9 August 2019 amending the Act on tax on goods and services and certain other acts (Dz.U. z 2019 r. poz. 1751) and the amendment to the Act of on February 15, 1992 on corporate income tax introduced, among others, by the Act of 12 April 2019 amending the Act on tax on goods and services and certain other acts (Dz.U. z 2019 r. poz.

1018), The Company made changes to contracts with suppliers regarding payment terms and procedures regulating the circulation of accounting documents and making payments. The effect of these changes is a decrease in the working capital leverage by an amount that does not affect the financial needs of the Group.

III. financial debt

Financial plans drawn up by the Management Board covering operational and investment flows indicate having sufficient sources of financing for operations and maintaining liquidity by the Group companies. Credit covenants included in credit agreements are monitored on an ongoing basis. As at the balance sheet date, 31 December 2019, the terms of the loan agreements were not violated. In addition, the Group has unused credit limits. Considering the above, as at the date of approval of these consolidated financial statements, there are no circumstances indicating a threat to the loss of liquidity by the Group companies. Debt of a financial nature consists primarily of:

- IFRS16 balance sheet liability resulting from the valuation of logistics and commercial space lease agreements, included in the balance sheet item 'leasing liabilities'. These obligations are usually repaid to landlords who are not, in principle, financial institutions and usually take the form of monthly rent payments.
- Liabilities to repay bank loans, the total value of which is included in the balance sheet item 'bank loans and borrowings'. The limits granted under financing agreements relate to:
  - with a revolving credit facility up to PLN 700 million. As at 31 December 2019, the limit was used up to PLN 400 million. The renewable line is the main financial security of the Group in the event of unfavorable financial scenarios being implemented and the need to carry out recovery plans.
  - for a flexible overdraft facility with a limit of up to PLN 110 million granted to Eurocash Serwis Sp. z o.o. As at 31 December 2019, the limit was used up to PLN 108.5 million. The purpose of this loan is to separate the funding pool and allocate financial costs between the Company and one of the most significant entities in the Group, which is not 100% owned by the Capital Group.
  - loans to realize the benefits of cash optimization under cash pool programs. The total limit granted in the company of these programs (2 programs in two local banks) is PLN 163.7 million. Use as at 31 December is PLN 114.4 million.
  - for credit lines in current accounts. In order to optimize the costs of maintaining bank accounts, the Group maintains loans at several banks. The sum of limits in these credit lines as at 31 December is PLN 20 million, and their utilization is PLN 16.8 million.

The Management Board of the Group recognizes that the term structure of assets and liabilities of the balance sheet determines the maturity of financing instruments. For this reason, as at 31.12.2019, the Group financed only short-term loans, borrowings, factoring and operating leasing. The strategy of matching the maturity of funding sources to the nature of the assets allows the Group to maintain flexibility in the selection of financial instruments and ensures cost effectiveness. By maintaining a relatively low financial leverage, the Group has the ability to select financing partners both on the local and foreign market.

The final repayment date of the revolving loan in the amount of PLN 700 million falls in September 2020. The Group has taken steps to refinance it and in accordance with the schedule set by the Management Board of the Group by the end of the third quarter of 2020, the loan will be replaced by a new revolving line with a similar limit and maturity of not less than 3 years. In connection with the aforementioned strategy of the balance sheet term structure, the Management Board does not recommend excessive extension of the operational financing maturity, unless there are circumstances justifying such extension, which may include acquisitions of business entities and significant investments in fixed assets.

- Other financial liabilities included in balance sheet items, respectively 'liabilities due to financing franchisees' and 'other financial liabilities', as well as off-balance sheet items regarding contingent liabilities. The main components of these three groups of liabilities are two sets of contracts in Contingences:

- for factoring franchisees of Delikatesy Centrum, where the debt is the amount of the guarantee granted by the Company to a financial institution. The limit in this contract is PLN 65 million, while the use as at 31 December 2019 is PLN 20.3 million, and the surety for the same franchisees from their financial contracts for PLN 1.8 million.
- guarantees of leasing and credit agreements for Frisco.pl Sp.z o.o. in total for PLN 31.4 million.

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

LIQUIDITY RISK

AS AT 31 DECEMBER 2019	Net book value	< 12 months	1-5 years	> 5 years
Financial lease liabilities	1 824 646 498	297 625 202	817 183 932	709 837 363
Liabilities due to financing of franchisees	20 302 879	20 302 879	-	-
Trade and other payables	3 895 223 868	3 891 090 891	4 132 977	-
Other finance liabilities	866 531	866 531	-	-
Loans and borrowings	648 790 562	648 790 562	-	-
	6 389 830 337	**4 858 676 065**	**821 316 909**	**709 837 363**

AS AT 31 DECEMBER 2018	Net book value	< 12 months	1-5 years	> 5 years
Finance lease liabilities	8 469 417	5 142 497	3 326 920	-
Liabilities due to financing of franchisees	23 593 244	23 593 244	-	-
Trade and other payables	3 915 019 336	3 851 079 253	63 940 083	-
Other finance liabilities	3 695 592	3 695 592	-	-
Short-term loans and credits	542 754 634	542 754 634	-	-
	4 493 532 223	**4 426 265 220**	**67 267 003**	**-**

c. Aging of trade payables

	31.12.2019	31.12.2018
current	3 685 173 780	3 444 127 714
1-30 days	94 799 457	322 761 190
31-90 days	12 429 215	40 364 368
91-180 days	1 224 141	2 955 341
> 181 days	1 313 163	3 171 816
	3 794 939 756	**3 813 380 430**

d. Market risk

Market risk is associated with changes in demand, supply and prices as well as other factors that will affect the Group's results or the value of assets (such as foreign exchange rates, interest rates, and fuel and energy prices). The goal of market risk management is to maintain exposure to this risk within an acceptable framework while optimizing return on risk. The Company does not hedge the risk of changes in the prices of products, goods and raw materials traded by the Group.

I. Currency risk

Currency risk is not a significant threat to the Group's activity, because it accounts for the majority of its transactions in the national currency, and only a small part relates to payment in currency or payment indexed to exchange rates. The company monitors currency risk and makes decisions regarding potential collateral. The company allows the use of derivatives to manage currency risk. The Group's activities in this area are focused primarily on minimizing the volatility of financial flows, but it is allowed to use hedge accounting so as to minimize the volatility of profits and losses of the current period. Due to the low value of currency exposure, the company did not take hedging measures in 2019. Both in 2019 and 2018, the Group did not have open positions in currency derivatives.

II. Interest rate risk

The interest rate risk is associated with loans and advances drawn, as well as with factoring programs. The following table presents the carrying amount of the Group's financial instruments exposed to interest rate risk, broken down by age category.

INTEREST RATE RISK

31 December 2019

	< 1 year	**2-5 years**	**> 5 years**	**Total**
Finance lease liabilities	297 625 202	817 183 932	709 837 363	**1 824 646 498**
Credits and loans	648 790 562	-	-	**648 790 562**

31 December 2018

	< 1 year	**2-5 years**	**> 5 years**	**Total**
Finance lease liabilities	5 142 497	3 326 920	-	**8 469 417**
Credits and loans	542 754 634	-	-	**542 754 634**

The table below presents the Group's vulnerability profile (maximum exposure) to the risk of changes in interest rates by presenting financial instruments divided by variable and fixed interest rates:

VARIABLE AND FIXED INTEREST RATE FINANCIAL INSTRUMENTS

	Present value 31.12.2019	Present value 31.12.2018
Fixed interest rate instruments		
Financial liabilities	1 825 513 028	8 469 417
Variable interest rate instrument		
Financial assets	1 796 866 070	1 608 768 793
Financial liabilities	4 564 317 149	4 485 062 806

The Group prepared an analysis of the sensitivity of financial instruments with variable interest rates to changes in market interest rates. The table below presents the impact of an increase and decrease of the interest rate by 100 bp on the gross financial result and on equity less the gross financial result. The analysis was conducted assuming that all other variables, such as currency exchange rates, remain unchanged. The analysis was prepared for the current year and for the comparable period, i.e. 2018.

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS

	Income statement		Equity	
	increases 100bp	decreases 100bp	increases 100bp	dereases 100bp
31 December 2019	(27 674 512)	27 674 512	-	-
31 December 2018	(28 762 940)	28 762 940	-	-

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

As at 31 December the list of transactions concluded was:

			Transaction date			
Nominal value	**Status**	**Beginning**	**End**	**Value as at 31.12.2019**		
05.09.2017	100 000 000	in progress	07.02.2019	07.02.2020	-	**44 585,18**
05.09.2017	100 000 000	in progress	13.02.2019	13.02.2020	-	**51 422,88**
07.09.2017	100 000 000	in progress	21.02.2019	21.02.2020	-	**59 641,44**
17.04.2018	100 000 000	in progress	28.02.2019	28.02.2020		**35 153,57**
10.04.2018	100 000 000	in progress	31.01.2019	31.01.2020		**17 811,13**
05.10.2018	100 000 000	in progress	31.01.2019	31.01.2020	-	**17 653,78**
27.12.2018	100 000 000	in progress	31.01.2020	29.01.2021	-	**219 378,87**
27.12.2018	100 000 000	in progress	02.01.2020	31.12.2020	-	**195 134,84**
15.01.2019	100 000 000	in progress	09.01.2020	11.01.2021		**5 991,81**
15.01.2019	100 000 000	in progress	16.01.2020	18.01.2021		**2 714,24**
15.01.2019	100 000 000	in progress	23.01.2020	25.01.2021	-	**21 931,26**
09.04.2019	100 000 000	in progress	21.02.2020	22.02.2021	-	**137 159,14**
26.06.2019	100 000 000	in progress	28.02.2020	26.02.2021	-	**58 265,48**
26.06.2019	100 000 000	before start	22.02.2021	22.02.2022	-	**136 893,51**
26.06.2019	100 000 000	before start	29.01.2021	31.01.2022	-	**128 437,44**
06.06.2019	100 000 000	before start	11.01.2021	11.01.2022	-	**139 637,63**
26.06.2019	100 000 000	before start	18.01.2021	18.01.2022	-	**127 560,08**
26.06.2019	100 000 000	before start	25.01.2021	25.01.2022	-	**130 316,60**
30.08.2019	100 000 000	in progress	02.09.2019	31.08.2022		**201 649,52**
30.08.2019	100 000 000	in progress	02.09.2019	31.08.2022		**201 649,52**
29.08.2019	100 000 000	in progress	02.09.2019	29.07.2022		**160 223,58**

III. Risk of changes in fuel and energy prices

The company's goal in managing fuel and energy purchase costs is to maintain a cost balance relative to its main competitors on the FMCG market. The company analyzes the correlations between the constituency, inflation and the cost of fuel and energy prices to determine whether hedging in this respect will allow it to maintain or improve its competitive position.

– The Group implements a central fuel purchase policy. The Fleet Department has procedures to periodically negotiate these prices and to settle settlement rules with suppliers. The strategy to reduce the volatility of fuel prices assumes the use of various billing schemes with fuel suppliers based on fixed or variable prices, determining the possibility of changing price conditions with suppliers, as well as the use of derivatives. Both in 2019 and 2018, the Group did not have open positions in fuel derivatives.
– The Group implements a central energy purchase policy. Energy purchases are subject to the policy of purchasing individual components (clean energy and certificates) directly on the commodity exchange. Volatility about the risk of changes in energy prices are monitored and purchasing decisions, thanks to the direct purchasing model, are flexible and spread over time. Forward instruments may be used to reduce this volatility. Energy distribution services are also negotiated by the Group's headquarters departments.

e. Capital management

The basic assumption of the Group's policy in the area of capital management is to maintain a strong capital base, which will be the basis of confidence on the part of investors, lenders and the market and which will ensure the future development of the Group. The Group monitors changes in shareholding, return on capital and the level of dividends paid to shareholders. The Group's goal is to achieve a capital return ratio at the level satisfying shareholders and to ensure the annual payment of dividend. In the presented period, no changes were introduced to the objectives, principles and processes in the field of capital management.

f. Determining fair values

As at 31 December 2019, the fair value of financial instruments was similar to their carrying amount. The Group has instruments hedging interest rate risk, IRS, which are measured at fair value. For these IRS, the fair value was classified to level 2 of the hierarchy - the fair value is determined on the basis of values observed on the market, however, which are not a direct market quote (e.g. they are determined by direct or indirect reference to similar instruments existing on the market). In connection with the hedge accounting used, the valuation effect is recognized in other comprehensive income.
According to the Group's assessment, the fair value of cash, short-term deposits, trade receivables, trade payables, bank loans, loans and financial lease liabilities as well as other financial assets and liabilities does not differ from the balance sheet amounts.

NOTE 37.

OTHER SUBSEQUENT EVENTS

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

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

NOTE 38.

IMPORTANT EVENTS AFTER THE PERIOD COVERED BY THE FINANCIAL STATEMENTS

After the period covered by the financial statements, there were no significant events requiring disclosure or affecting the situation or judgment of the Group's operations

Coronavirus

We believe that, to the best of our knowledge and the current situation in Poland, the effect of coronavirus is not treated as an event after the balance sheet date that significantly affects the financial data as at 31 December 2019. We also believe that the further potential impact of the coronavirus on the financial results of the Company and the Group is very difficult to predict as at the date of this statement.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

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

PART F

STATEMENT AND VALUATION OF THE SUPERVISORY BOARD

FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

KOMORNIKI, 12th March 2020

Statement of the Supervisory Board of Eurocash S.A.

Regarding Audit Committee of Supervisory Board of Eurocash S.A.

Supervisory Board of Eurocash S.A. hereby confirms that:

1) Eurocash S.A. comply with the legal requirements regarding the appointment, composition and functioning of the audit committee, including fulfilling the independence criteria of its members, their knowledge and skills on the scope of activities conducted by the Eurocash S.A. and on accounting and reviewing of the financial statements,
2) the Audit Committee of the Supervisory Board of Eurocash S.A. fulfilled its legal obligations as required by common binding law.

Legal basis:

§ 70 Sec 1 Item 8 and § 71 Sec. 1 Item 8 of Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information published by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognized as equivalent

Komorniki, 12th March 2020

Dr Hans Joachim Körber
Chairman of the Supervisory Board

Renato Arie
Member of the Supervisory Board

Jorge Mora
Member of the Supervisory Board

Ewald Raben
Member of the Supervisory Board

Francisco José Valente Hipólito dos Santos
Member of the Supervisory Board

Due signatures on the original

Valuation
of the Supervisory Board of Eurocash S.A. with reasoning
concerning the consolidated financial statements of the Capital Group
of Eurocash S.A. for 2019, the financial statement of Eurocash S.A. for 2019,
the Management Board report on the operations of Eurocash S.A. Capital Group for 2019
and the Management Board report on the operations of Eurocash S.A. for 2019
as regards their conformity
with books, documents and facts

The Supervisory Board of Eurocash S.A. on the basis of:

1) the consolidated financial statement of the Capital Group Eurocash S.A. for 2019 and the financial statements of Eurocash S.A. for 2019,
2) the Management Board report on the operations of Eurocash S.A. Capital Group for 2019 and the Management Board report on the operations of Eurocash S.A. for 2019,
3) the reports from the examination of the separate and consolidated financial statements and the additional report of the auditing company for Audit Committee of the Supervisory Board of Eurocash S.A,
4) meetings with representatives of the audit firm,
5) recommendation of the Audit Committee of the Supervisory Board of Eurocash S.A. regarding the opinion on the audited financial statements,

made a positive valuation of:

1) the consolidated financial statement of the Capital Group Eurocash S.A. for 2019,
2) the financial statement of Eurocash S.A. for 2019,
3) the Management Board report on the operations of Eurocash S.A. Capital Group for 2019,
4) the Management Board report on the operations of Eurocash S.A. for 2019.

with regard to their conformity with books, documents and facts.

In the opinion of the independent expert auditor the financial statements of Eurocash S.A. and the consolidated financial statement of Eurocash S.A. Capital Group present a reliable and clear picture of the assets and financial situation of Eurocash S.A. and Eurocash S.A. Capital Group as at 31 December 2019 and of the financial result for the financial year as from 01 January 2019 to 31 December 2019, in accordance with International Accounting Standards, International Financial Reporting Standards and accounting principles (policy), and is consistent as to form and contents with applicable laws.

In the opinion of the independent expert auditor the Management Board report on the operations of Eurocash S.A. for 2019 and Eurocash S.A. Capital Group in 2019 was prepared in accordance with the applicable regulations and is consistent with the information contained in the financial statements of Eurocash S.A. and Eurocash S.A. Capital Group.

In the opinion of the Supervisory Board of Eurocash S.A. the submitted financial statements for 2019, including the statement of financial position, the separate profit and loss account and the separate statement of comprehensive income, the separate statement of changes in equity and the separate cash flow statement, reflect correctly and reliably the result of the Company's business activity for the above financial year and the Company's assets and financial situation as at 31 December 2019.

In the opinion of the Supervisory Board, the submitted consolidated financial statement for 2019, including the consolidated statement of financial position, consolidated profit and loss account and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement reflect correctly and reliably the result of the business activity of the Company's Capital Group for the above financial year and the assets and financial situation of the Company's Capital Group as at 31 December 2019.

In the opinion of the Supervisory Board, the reports of the Management Board on the operations of Eurocash S.A. and Eurocash S.A. Capital Group for 2019 were prepared in a reliable and exhaustive manner.

Legal basis:

Art. 382 § 3 of the Commercial Companies Code, § 14.2 (i) of the Statute of Eurocash S.A., § 70 Sec. 1 Item 14 and § 71 Sec. 1 Item 12 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state.

Komorniki, 12th March 2020

Dr Hans Joachim Körber
Chairman of the Supervisory Board

Renato Arie
Member of the Supervisory Board

Jorge Mora
Member of the Supervisory Board

Ewald Raben
Member of the Supervisory Board

Francisco José Valente Hipólito dos Santos
Member of the Supervisory Board

Due signatures on the original

PART G

STATEMENT AND INFORMATION OF THE MANAGEMENT BOARD

FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

KOMORNIKI, 12th March 2020

EUROCASH S.A. MANAGEMENT BOARD STATEMENT

Acting pursuant to § 70 Sec. 1 Item 6 and § 71 Sec. 1 Item 6 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state Management Board of Eurocash S.A. represent that - to its best knowledge:

- the annual financial statements of Eurocash S.A. and consolidated annual financial statements of Eurocash S.A. Capital Group and comparative data were drawn up in accordance with the applicable accounting principles and give, diligent, and transparent view of the economic and financial position of Eurocash S.A. and Eurocash S.A. Capital Group and of their financial performance for 2019,
- the report of the Management Board on business operations of Eurocash S.A. and Eurocash S.A. Capital Group in 2019 contains a true view of the development, achievements, and the position of Eurocash S.A. and Eurocash S.A. Capital Group, including the description of main risks and threats.

Komorniki, 12th March 2020

Luis Amaral
President of the Management Board

Rui Amaral
Member of the Management Board

Pedro Martinho
Member of the Management Board

Arnaldo Guerreiro
Member of the Management Board

Katarzyna Kopaczewska
Member of the Management Board

Jacek Owczarek
Member of the Management Board

Przemysław Ciaś
Member of the Management Board

Noel Collett
Member of the Management Board

Due signatures on the original

EUROCASH S.A. MANAGEMENT BOARD INFORMATION

Acting pursuant to § 70 Sec. 1 Item 7 and § 71 Sec. 1 Item 7 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state the Management Board of Eurocash S.A. submits information prepared on the basis of the Supervisory Board's statement that on 9th May 2019 the Supervisory Board selected an auditing company that audited the annual standalone and consolidated financial statements of Eurocash S.A. and Eurocash S.A. Capital Group in accordance with the regulations and procedure for selecting an audit firm, indicating that:

- the audit firm and the members of the audit team met the conditions for drawing up an impartial and independent audit report on the standalone and consolidated annual financial statements in accordance with applicable regulations, professional standards and professional ethics,
- the applicable regulations related to the rotation of the audit firm and the key statutory auditor and mandatory grace periods are observed,
- the Company has a policy regarding the selection of an auditing company and a policy for providing the Company with an auditor, an entity related to the auditing company or a member of its network of additional non-audit services, including conditionally exempt services from the audit company.

Komorniki, 12th March 2020

Luis Amaral President of the Management Board	Rui Amaral Member of the Management Board
Pedro Martinho Member of the Management Board	Arnaldo Guerreiro Member of the Management Board
Katarzyna Kopaczewska Member of the Management Board	Jacek Owczarek Member of the Management Board
Przemysław Ciaś Member of the Management Board	Noel Collett Member of the Management Board

Due signatures on the original

EUROCASH GROUP

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