Siła Nowoczesnego Przedsiębiorcy

Eurocash Group S.A.

Consolidated annual report for the year 2020

This document is a conversion to pdf format of the official annual financial report that was issued in xhtml format.

KOMORNIKI, 10th March 2021

Contents

Part A

Letter from the President

KOMORNIKI, 10th March 2021

EUROCASH GRUPA | Siła Nowoczesnego Przedsiębiorcy

Dear Shareholders, Partners, Clients and Employees,

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

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

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

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

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

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

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

Yours sincerely,

Luis Amaral

Eurocash CEO

EUROCASH GRUPA | Siła Nowoczesnego Przedsiębiorcy

Rozwoju polskiej przedsiębiorczości 25 LAT EUROCASH GRUPA

Part B

Report of the Management Board

For the period from 1 January 2020 to 31 December 2020

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

KOMORNIKI, 10th March 2021

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EUROCASH GRUPA | Siła Nowoczesnego Przedsiębiorcy

Table 1: Eurocash Group: Summary of 2020 Financial Performance

PLN m	2020	2019	Change %
Sales revenues (traded goods, materials)	25 411.04	24 852.24	2.25%
Gross profit (loss) on sales	3 366.55	3 242.98	3.81%
Gross profitability on sales (%)	13.25%	13.05%	0.2 p.p.
EBITDA	803.94	794.08	1.24%
(EBITDA margin %)	3.16%	3.20%	-0.04 p.p.
EBIT	250.43	244.52	2.42%
(EBIT margin %)	0.99%	0.98%	-0.01 p.p.
Gross profit	107.92	113.42	-4.85%
Net Income	68.07	79.13	-13.97%
(Net profitability %)	0.27%	0.32%	-0.05 p.p.

Consolidated sales of Eurocash Group in 2020 amounted to PLN 25 411.04 m and increased by 2.25% YoY. Sales growth was driven by three segments: wholesale, retail, projects.

Gross margin on sales realized by Eurocash Group in 2020 increased by 0.2 p.p. YoY and amounted to 13.25%.

2020 EBITDA amounted to PLN 803.94 m compared with PLN 794.08 m previous year which means an increase of 1.24%. The increase was mainly related to an improvement in the result of the wholesale segment.

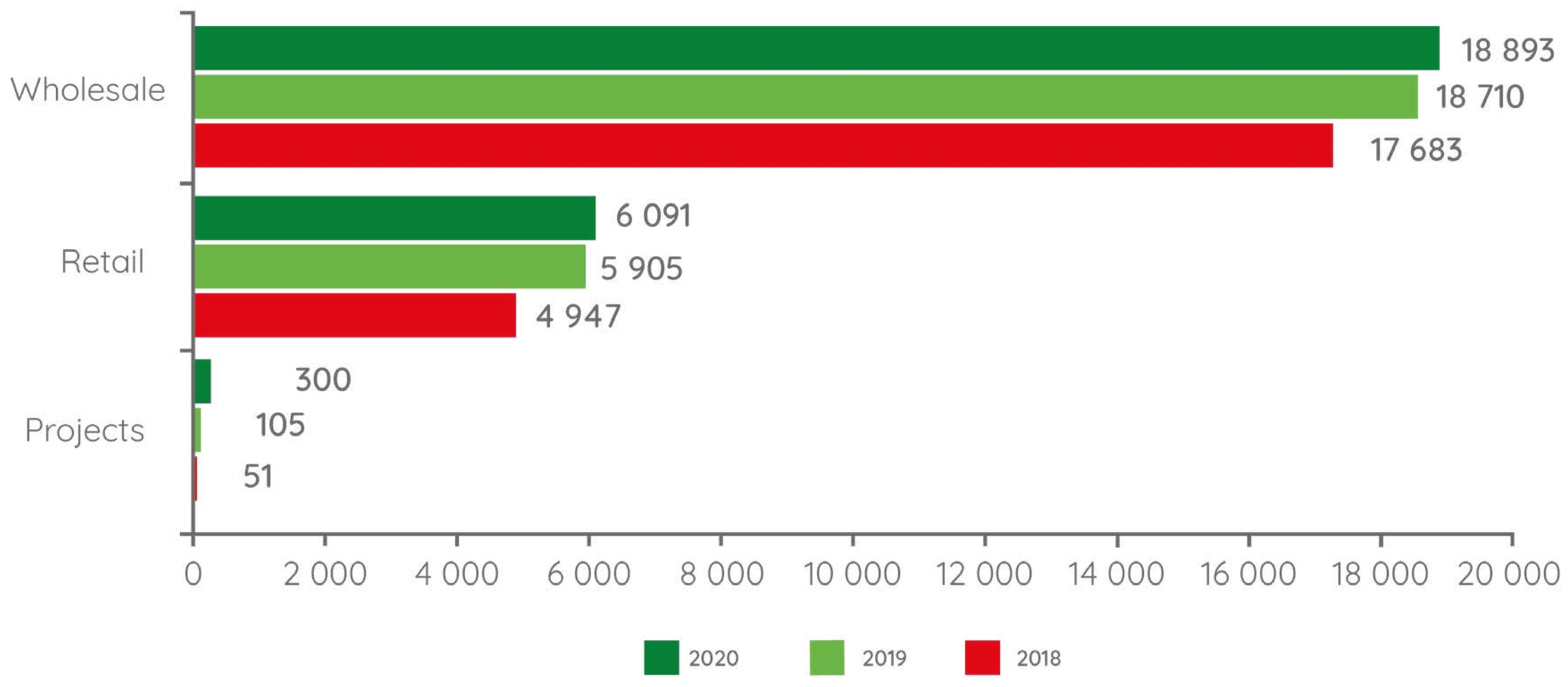
The net profit in 2020 amounted to PLN 68.07 m and decreased by 13.97 p.p.

Operating segments of Eurocash Group

As at 31st December 2020, the Eurocash Group's wholesale trade network comprised 180 Cash&Carry warehouses, under which a network of „abc" partner stores was organized, which included 9 317 local grocery stores. In franchise and partner networks cooperating with Eurocash Distribution, there were 5 251 stores associated. The retail network included 1 573 small supermarkets, including 1 545 operating under the Delikatesy Centrum brand and 432 Inmedio press salons.

The 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 2020 according to the segments (PLN m)

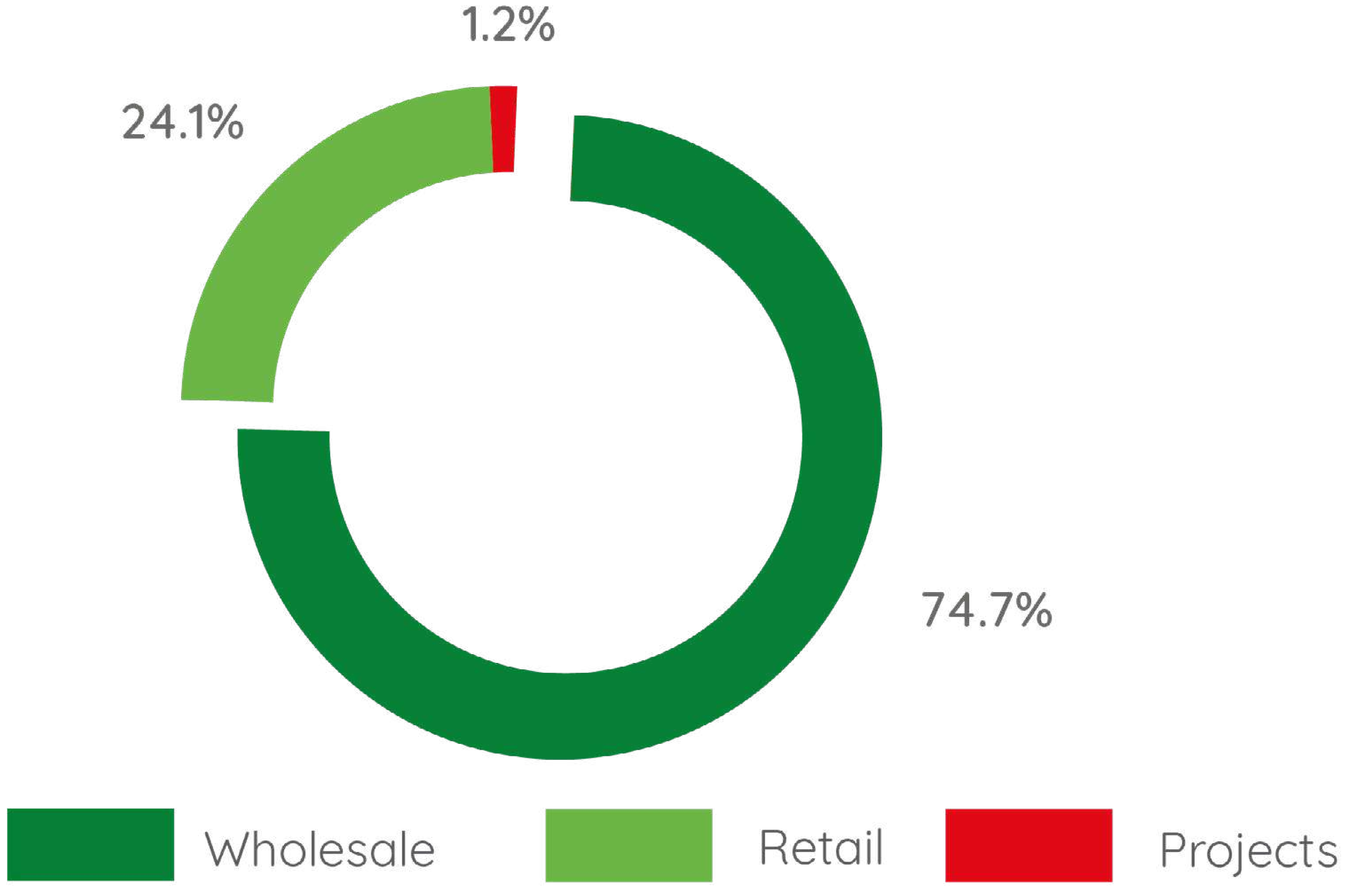


Source: Own study

In 2020 sales of goods in Wholesale segment amounted to PLN 18 892.65 m comparing with PLN 18 710.44 m in previous year which means growth by 0.97%. In Wholesale, main contributor to growing sales was Tobacco format. Retail sales of goods realized by Retail segment in 2020 amounted to PLN 6 091.10 m compared to PLN 5 904.81 m in previous year which means growth by 3.15%. In 2020 sales of goods realized by Projects segment amounted to PLN 300.38 m in comparison to PLN 104.56 m last year. Such a significant increase YoY is related to the consolidation of Frisco S.A., the full acquisition of which was completed in 2020.

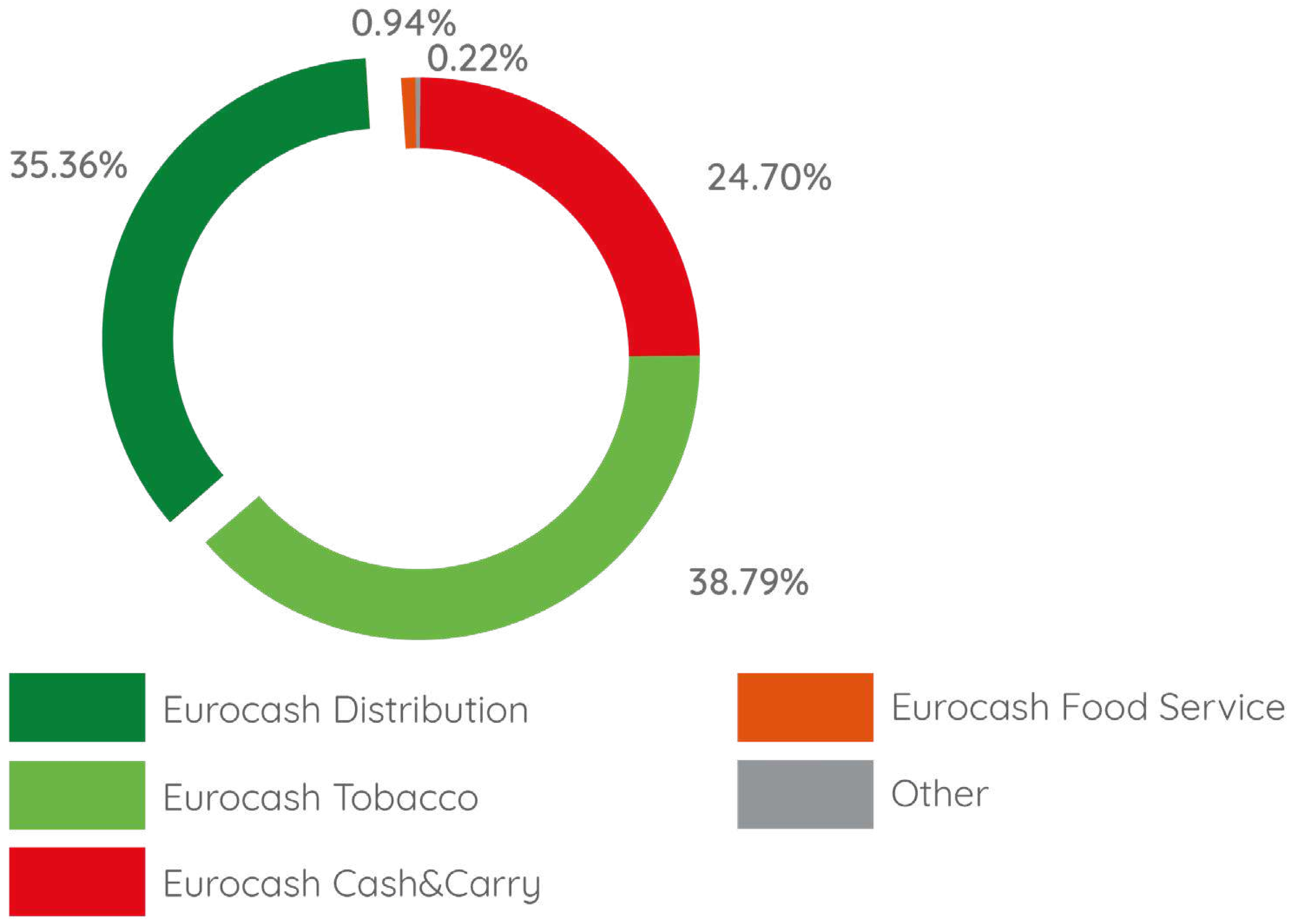
Below we present the distribution of sales revenues for 2020, split on business segments.

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



Source: Own study

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



Source: Own study

The Retail segment accounted for nearly 24% in the Eurocash Group, while the Wholesale segment was responsible for almost 75% of Eurocash Group's sales revenues. Compare to the 2019, Retail segment increased by 0.20% and Wholesale segment decreased by 0.97%.

The largest share in the Wholesale segment sales is generated by Eurocash Distribution and Eurocash Tobacco – responsible for 35% and 39% of sales followed by Cash & Carry – 25%. The sales of Eurocash Food Service amounted to 1% of 2020 sales.

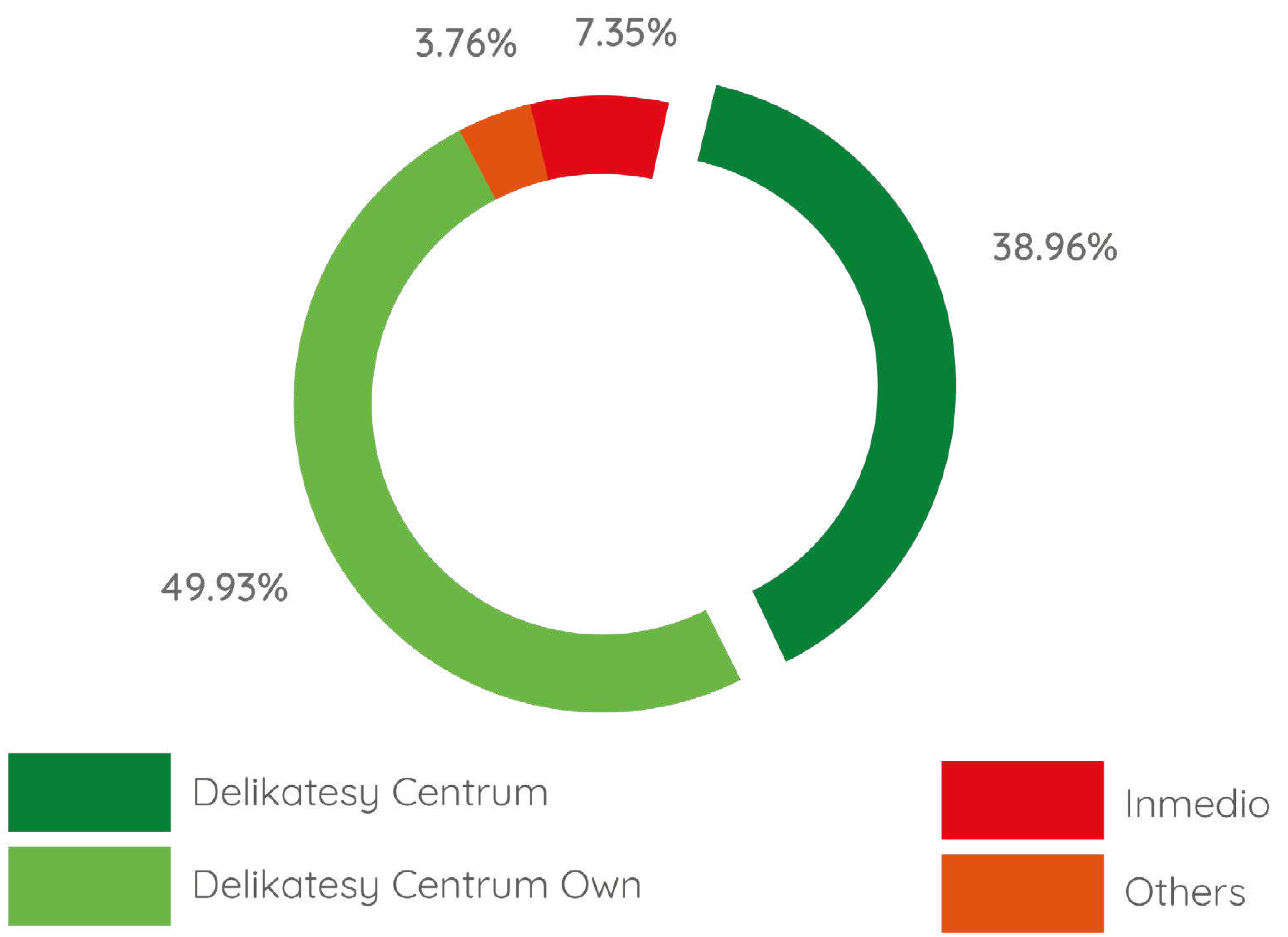


Chart 4. Eurocash Group: Sales of the retail segment by individual formats (PLN bn)

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 Own – 50%, followed by Delikatesy Centrum, amounted to 39%. Other stores including Partner stores and Podlaskie Delikatesy - less than 4%. The retail segment also includes the sale of Inmedio kiosks, whose share in the segment's revenue was 7%.

2.1 Market Environment

Key macroeconomic data

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

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

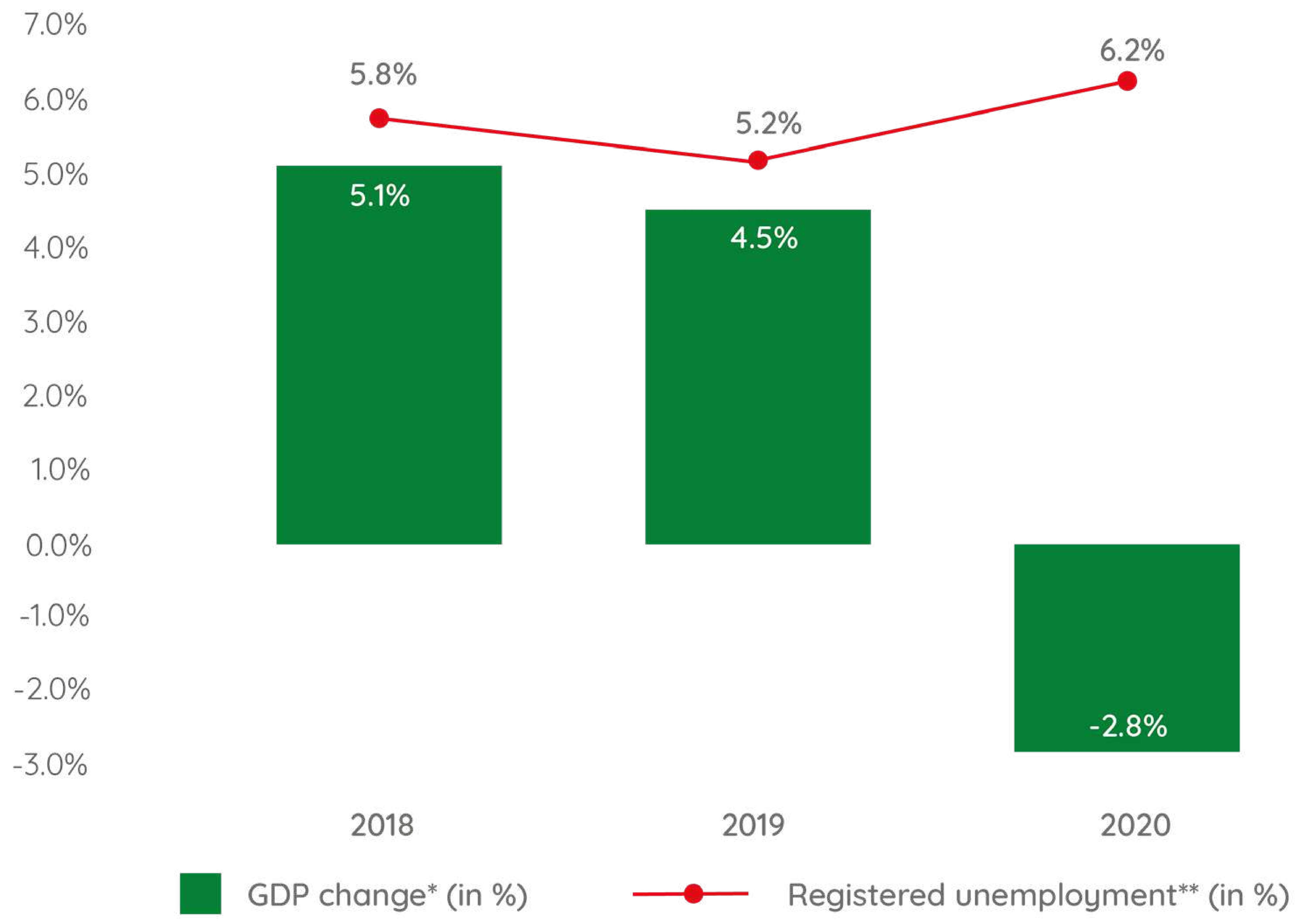
The table below presents key macroeconomic data for the Polish economy for periods indicated.

Table 2: Macroeconomic situation in Poland

	2020	2019	2018
GDP change* (in %)	-2.8	4.5	5.1
Registered unemployment** (in %)	6.2	5.2	5.8
Wage dynamics in Poland (in%) nominally	6.6	6.5	7.0
Consumer price index change (in %)	3.4	2.3	1.6

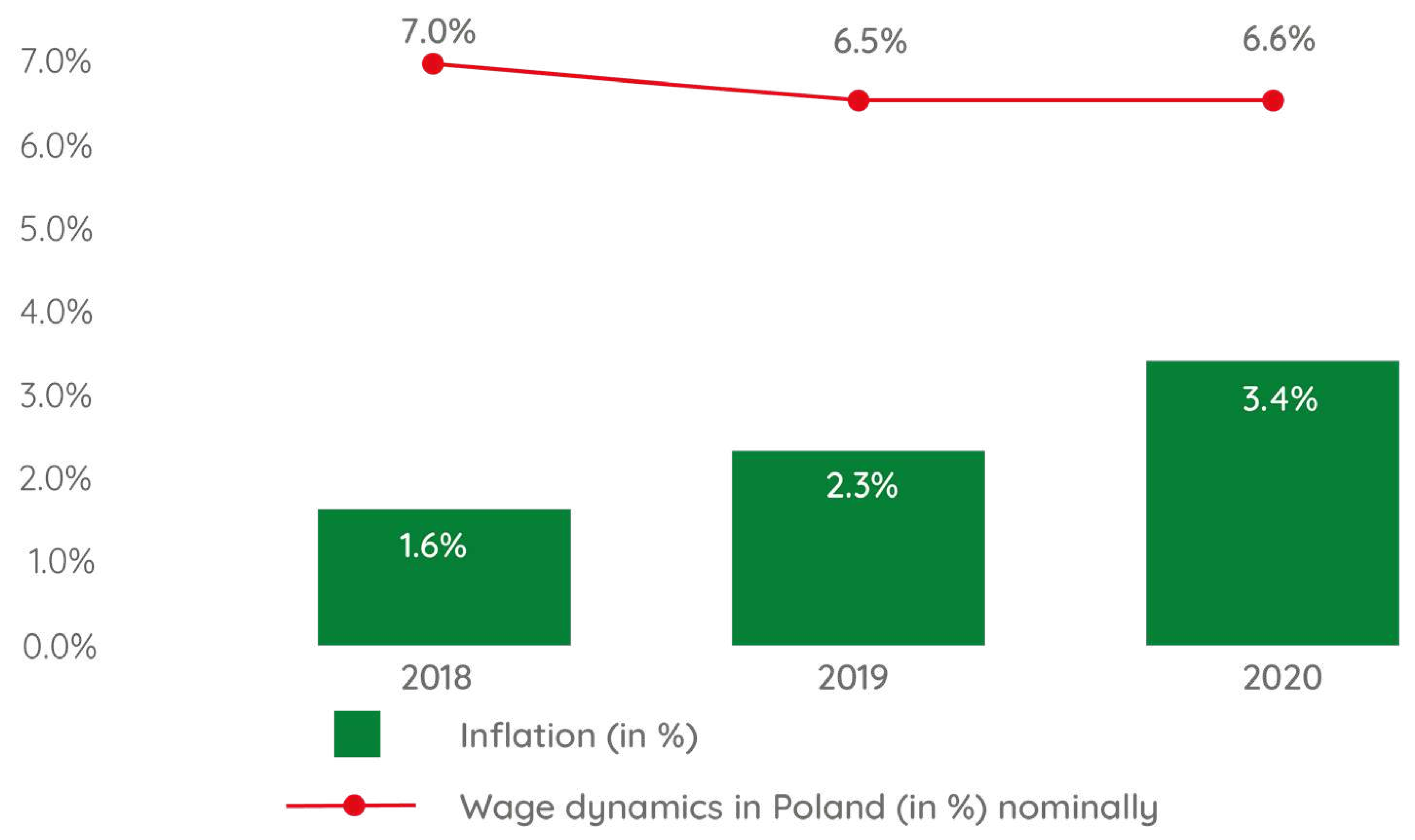
Source: Polish Central Statistical Office
* Preliminary data for 2019
** As at year end

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

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

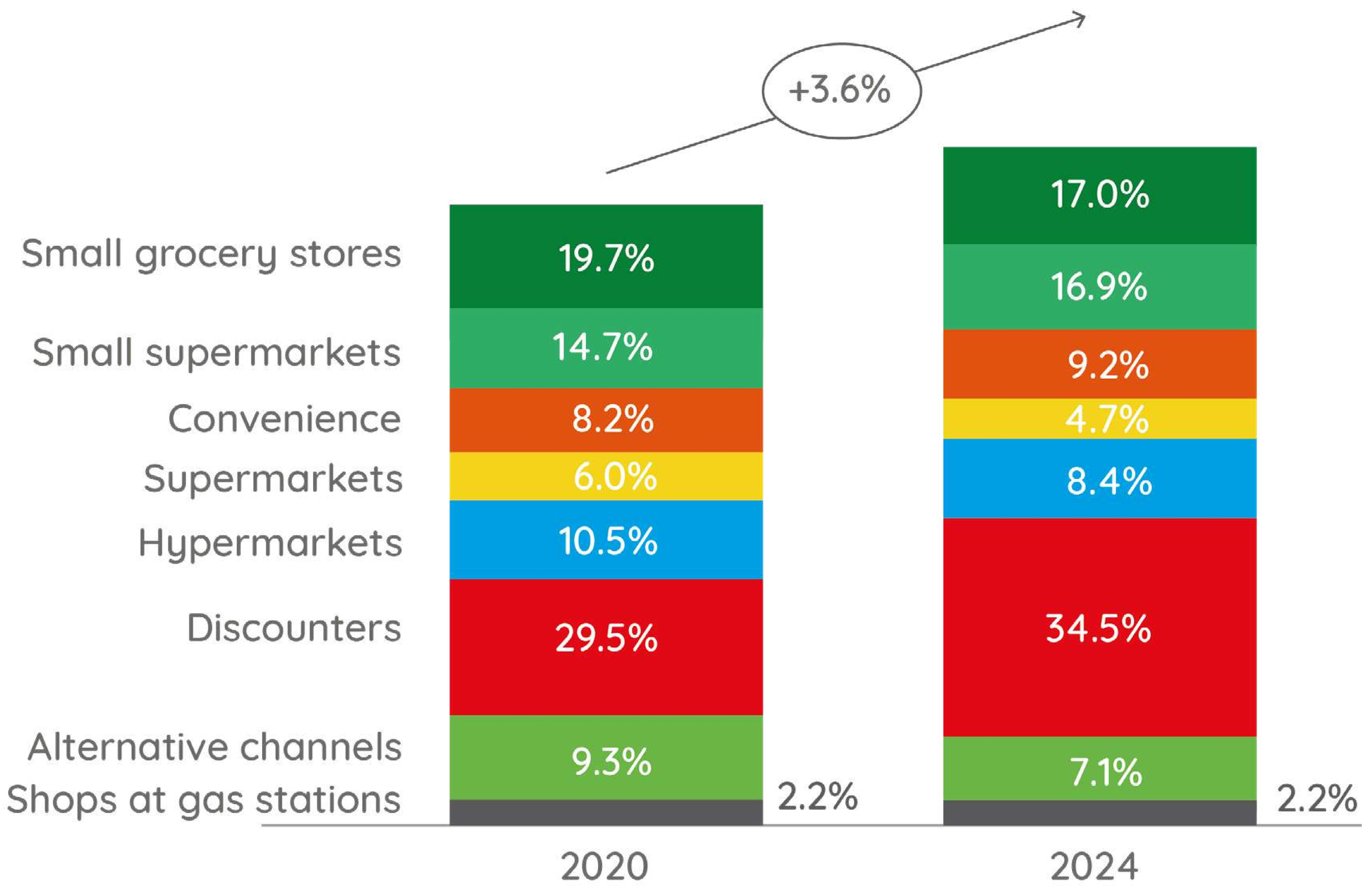
Prices of food and non-alcoholic beverages in 2020 increased by 4.7% and prices of alcoholic beverages and tobacco products increased by 4.4% YoY.

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

Polish FMCG market - general information

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

Chart 7. Structure of the FMCG market in Poland



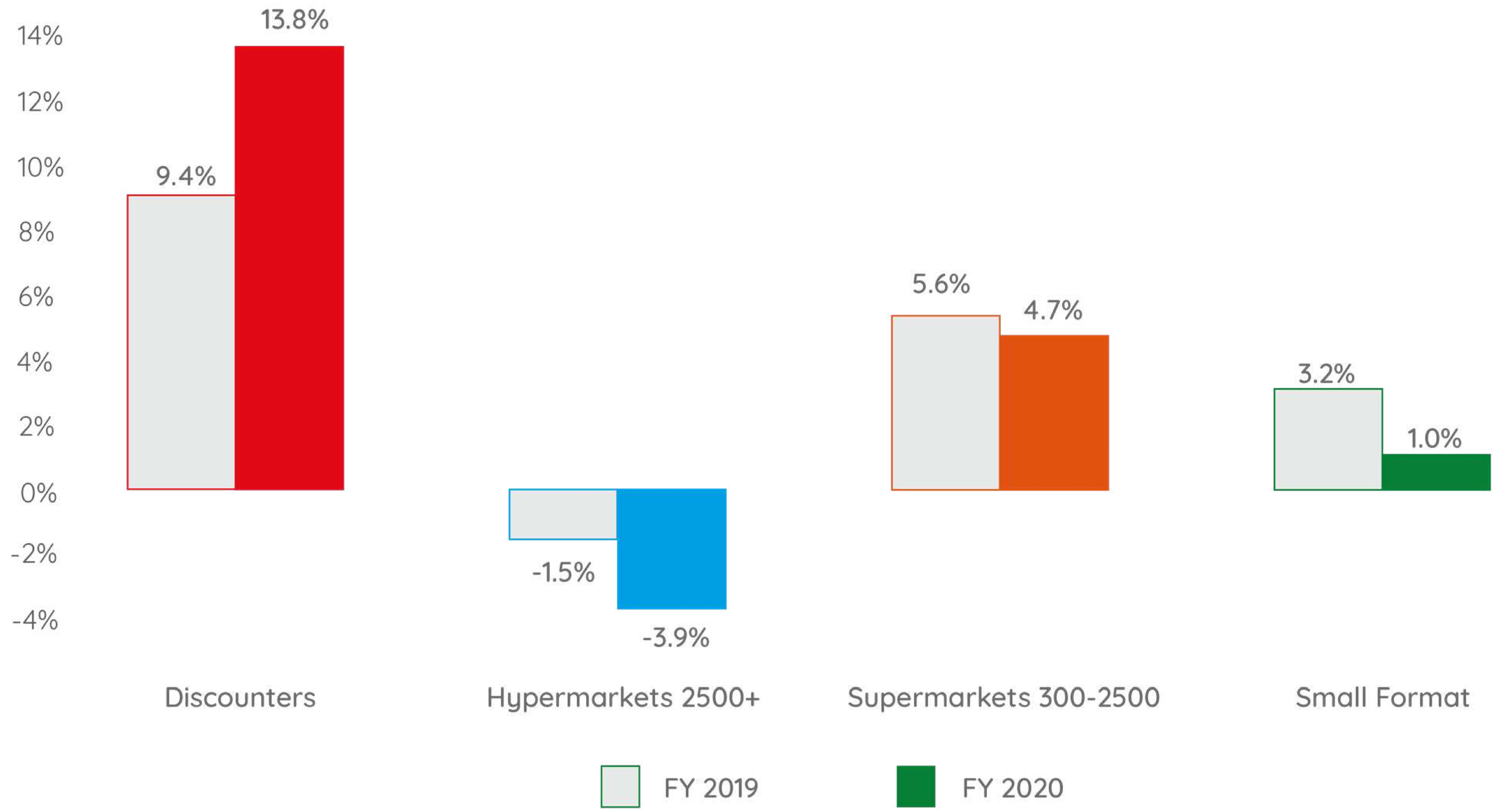
Source: Own estimates based on PMR data

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

At the same time, the number of small-format stores decreased by 3.7%, reaching the level of approx. 91.0 thousand stores at the end of 2020 (large, medium and small grocery stores, sweet and alcohol, kiosks and petrol stations). Decrease in the number of small-format stores is mainly caused by the decrease in the number of smallest stores with an area of up to 150 sqm.

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

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



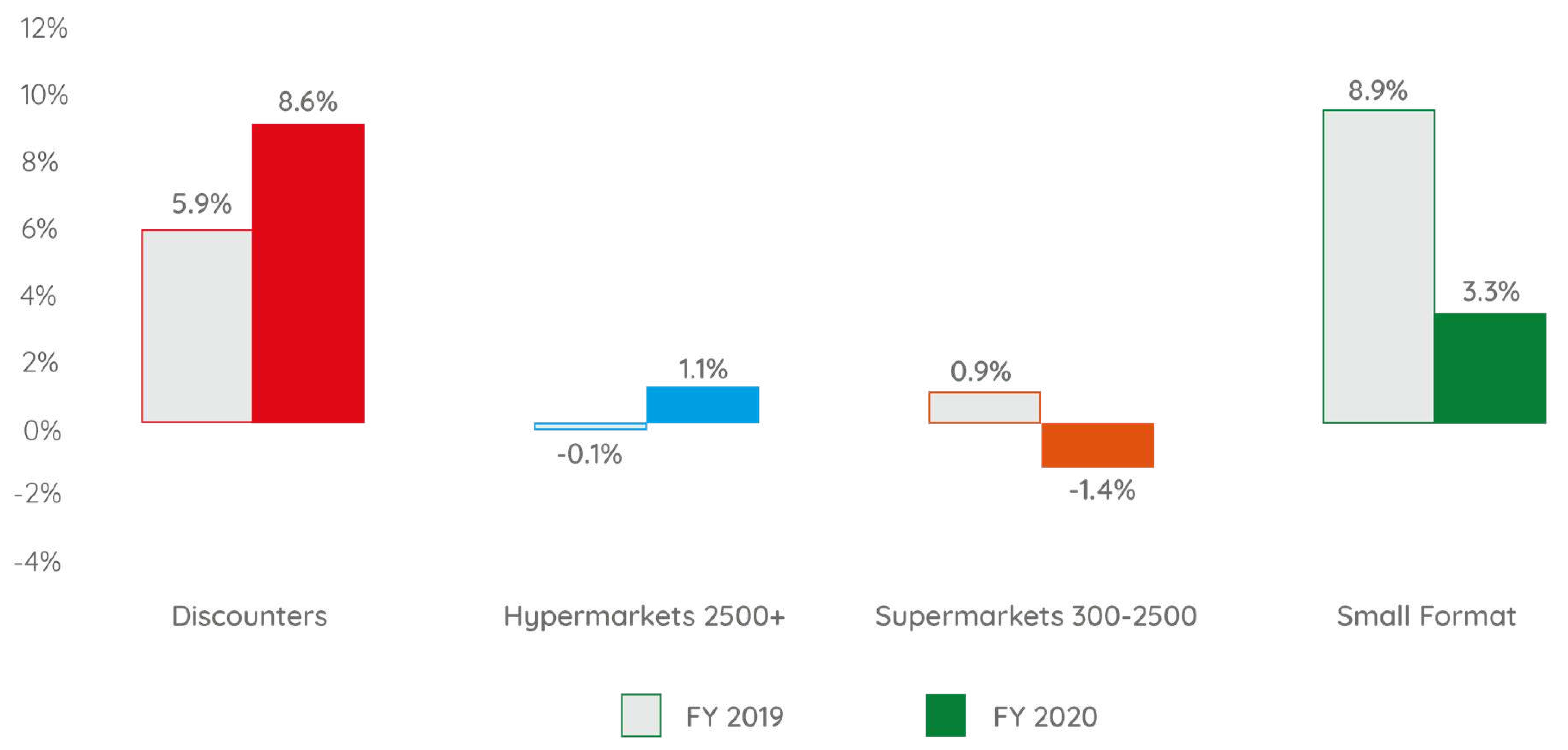
Source: Nielsen Retail Trade Panel, Value sales, period: January 2018 – December 2020, Food categories

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

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

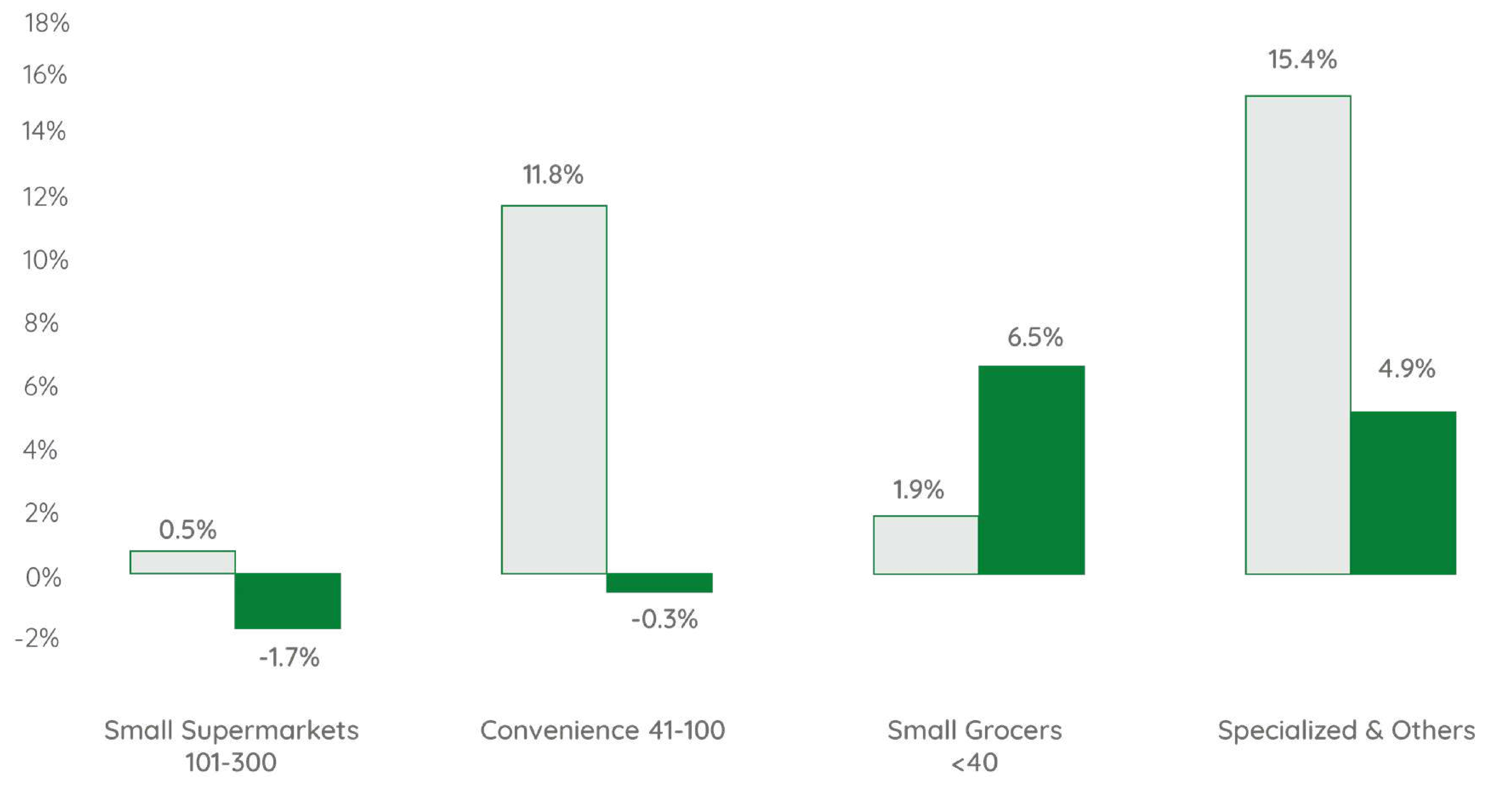
According to the Nielsen, value of the FMCG market in 2020 in Poland increased by 5.7% in comparison with the 2019.

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



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

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



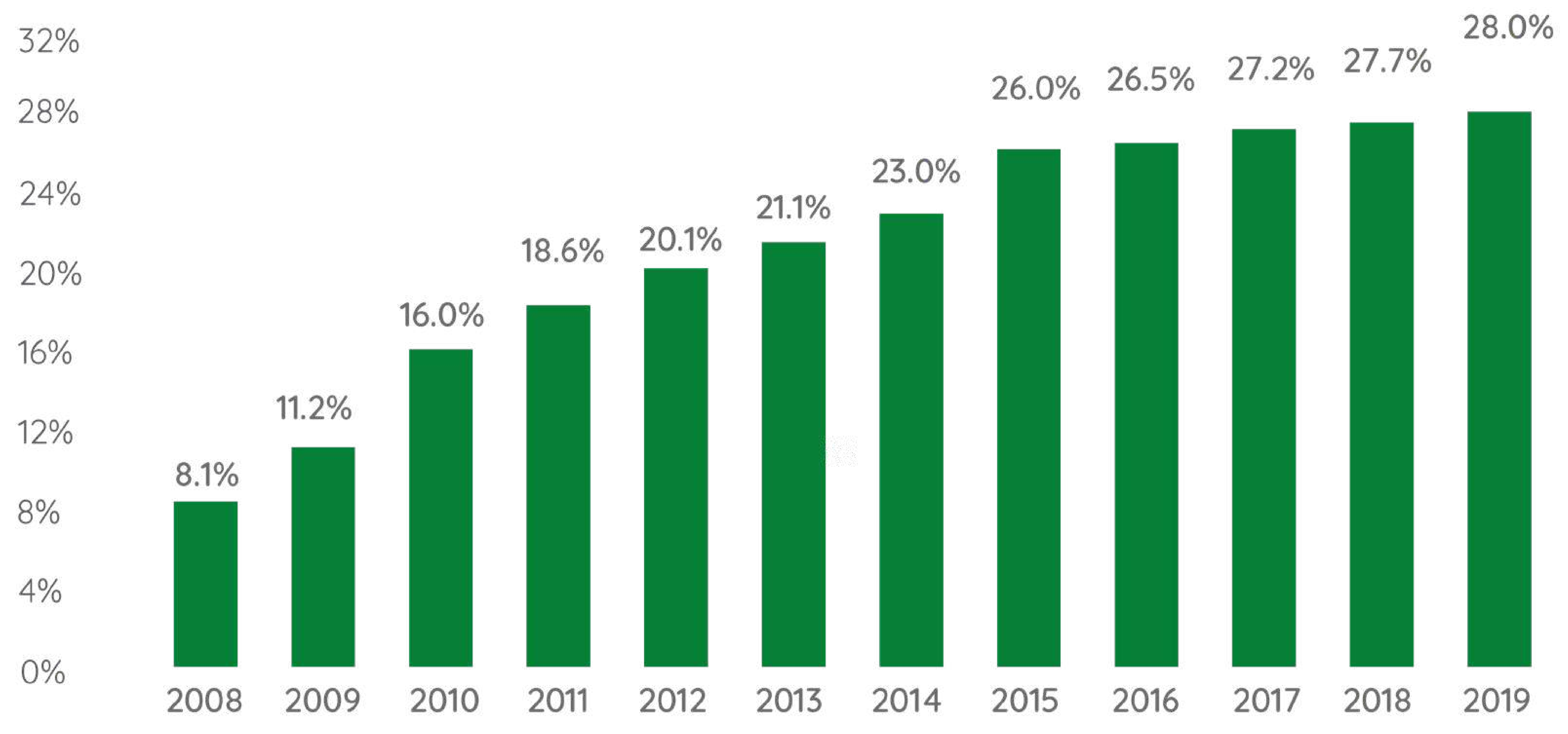
Source: Own estimates based on Nielsen Retail Trade Panel, Value sales, period: January 2018 – December 2020, Food categories

Wholesale distribution of FMCG Market

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

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

Chart 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 62% of major retail channels whereas small format stores - approximately 38%1. According to Eurocash, there is no evidence that the role of traditional retail trade will continue to dramatically diminish in the coming years. This is supported by both external conditions (the demographic structure) as well as internal conditions (which mainly consist of consolidation and modernization mechanisms which facilitate effective competition with large format outlets.) Pooling grocery stores and small supermarkets into franchise networks - both traditional in nature (which are in fact a form of loyalty programs) as well as modern ones (which tie retailers strongly to their supplier) a manifestation of this trend. According to PMR estimates, the total number of retail outlets associated in networks was approximately 46.3 thousands (+7.2% YoY) in 2020.

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

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

2.2 Eurocash Group: Business Formats

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

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

Chart 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		FRISCO	
AMBRA		OTHERS	

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";

- Delikatesy Centrum own retail stores – own retail stores operating by companies that FHC-2 Sp. z o.o., Madas Sp. z o.o., Delikatesy Centrum Sklepy Sp. z o.o. and Podlaskie Delikatesy Centrum Sp. z o.o. and stores under the Lewiatan brand, managed by Partner Sp. z o.o., in which Eurocash holds 100% of shares, and Firma Rogala Sp. z o.o., in which Eurocash holds 50% of shares,

- Inmedio – press retail kiosks under Inmedio and Inmedio Trendy brand

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

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

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

2.3 Number of outlets

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

The retail network included 1 573 small supermarkets, including 1 545 operating under the Delikatesy Centrum brand and 432 Inmedio press salons. The table below presents information on the number of Cash & Carry wholesalers, the number of small supermarkets, including Delikatesy Centrum, „abc" chain stores, Inmedio stores and stores associated under Eurocash Dystrybucja.

Table 3: Number of Cash & Carry Warehouses, small supermarkets including Delikatesy Centrum stores, 'abc' network, Inmedio newsagents and franchise stores

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

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

2.4 Sales Structure

Basic groceries (food and drinks – both alcoholic and non-alcoholic) represent key sales items for the Eurocash Group. In 2020, the share of these products accounted for approximately 65.1% of the total sales figure. The second most important sales contributor comprised of tobacco products, pre-paid top ups, and phone cards - with the share of 31.9% in 2020. The share of other non-food products (including cosmetics, household chemicals, OTC drugs and others) accounted for 3.0% in 2020.

2.5 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 31.12.2020. Luis Amaral serves as President of the Management Board. The parent company in the Group is Eurocash S.A., which realizes the majority of the Group's sales.

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

The parent entity in the Group is Eurocash S.A., which performs most of the group's sales. The structure of the Eurocash Group and its affiliated companies as at 31st December 2020 is presented on the next page.

Chart 14. The structure of the Eurocash Group and its affiliated companies as at December 31st 2020:

Luis Amaral

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

44.04%

EUROCASH S.A.

WHOLESALE

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

FRANCHISE SYSTEMS (WHOLESALE)

- 100% Eurocash Franczyza Sp. z o.o.
- 66,6% Lewiatan Holding S.A.
- 100% Lewiatan Podkarpacie Sp. z o.o.
- 100% Lewiatan Północ Sp. z o.o.
- 100% Lewiatan Kujawy Sp. z o.o.
- 100% Lewiatan Wielkopolska Sp. z o.o.
- 100% Lewiatan Opole Sp. z o.o.
- 100% Lewiatan Orbita Sp. z o.o.
- 100% Lewiatan Zachód Sp. z o.o.
- 100% Lewiatan Podlasie Sp. z o.o.
- 100% Lewiatan Śląsk Sp. z o.o.
- 100% EURO SKLEP S.A.
- 50% Partnerski Serwis Detaliczny S.A.
- 100% Groszek Sp. z o.o.
- 100% ABC Sp. z o.o.
- 100% Partner Sp. z o.o.

RETAIL

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

PROJECTS

- 100% Kontigo Sp. z o.o.
- 100% Duży Ben Sp. z o.o.
- 100% ABC na kołach Sp. z o.o.
- 100% Innowacyjna Platforma Handlu Sp. z o.o.
- 100% 4Vapers Sp. z o.o.
- 100% Frisco Sp. z o .o.
- 100% Dorvest Sp. z o.o.
- 100% FR 24 Sp. z o.o.

OTHER

- 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% Detal Finanse Sp. z o.o.
- 100% Investpol 700 Koja-Invest Sp. z o.o. sp.j.
- 100% Eurocash Nieruchomości Sp. z o.o.
- 100% Akademia Umiejętności Eurocash Sp. z o.o.
- 100% EC VC7 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.

Eurocash GRUPA | Siła Nowoczesnego Przedsiębiorcy

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 2020 number of customers of eurocash.pl platform amounted to 15 thousands and they share in sales reached 87% of Eurocash Distribution format. Since September 2019, Eurocash Group develop additional platform marketplace.pl, which will allow customers to order thousands of additional and unique SKU.

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

3.2 Factors impacting Development of Eurocash Group

External Factors

COVID-19

In connection with the situation of the SARS-CoV-2 coronavirus pandemic described in point 5, which affects the entities within Eurocash Group, the Group monitors the situation on an ongoing basis and complies with the recommendations of the Chief Sanitary Inspector and other services in Poland. There are taken up special preventive measures on an ongoing basis and recommended to employees, minimizing the risk related to infection. As at the date of these financial statements, all areas of the Company's operating activities function efficiently.

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

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

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

Fuel prices

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

Inflation

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

Labour costs

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

Internal Factors

Integration of acquired companies

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

Development of Eurocash Retail 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.

Investment in strategical growth projects

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

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

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.

3.3 Risks and Threats

Financial risks are discussed in Note 37 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.

The structure of the FMCG retail distribution market in Poland

In 2020, the traditional distribution channel was a significant form of FMCG retail distribution, representing the share of 37,6%[3]. Such a high share (against other European countries) results from a low concentration of population in a country as well as from poor housing conditions as small and medium-size shops located away from large conglomerates comprise the key customer group for Eurocash. Growth in the share of modern distribution including the expansion of discounters, responsible for 38,6%[4] of sales in Poland in 2020, will reduce the potential market for the Eurocash Group's business.

The structure of the traditional FMCG distribution channel. Competition

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

COVID-19

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

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

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

2020 comprised to 1446 national and foreign entities.

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

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

Risk management system

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

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

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

Table 4: Risk management system

Risk area	Risk examples	Elements of the risk management system - methods of monitoring and controlling
Ethics and counteracting corruption	• Risk of public corruption • Risk of corruption in relations with contractors • Risk of fraud against employees • Risk of internal frauds • Risk of conflict of interest	• Eurocash Group's Code of Ethics • Eurocash Group values - clearly defined and communicated to employees • Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics • Introducing a procedure for dealing with reports, a reporting path, protecting whistleblowers from reprisals, discrimination or other unfair treatment, protecting personal data and maintaining confidentiality - compliant with the European Parliament and Council Directive (EU) 2019/1937 on whistleblowers and the Recommended Standards for anti-corruption compliance management systems and the whistleblower protection system in companies listed on the markets organized by the Warsaw Stock Exchange SA • Anti-mobbing policy • Training for employees on Eurocash Group values and ethics rules • Instructions for accepting gifts from contractors (giving gifts for charity) • Implementation of procedures and process for managing conflicts of interest, including a survey-declaration of actual or potential conflicts of interest.
Legal	• Risk of consumer law violation • Risk of competition law violation • Risk of forbidden agreements regulations violation • Risk of violating regulations on payment congestion • Risk of violating antitrust law • Risk of violation of personal data protection regulations • Risk of violating the provisions	• Policies and procedures to monitor compliance with consumer rights legislation • Training and awareness-raising of employees • Monitoring the profile and level of risks identified in the Group • Implementing an effective compliance system to monitor key risks on an ongoing basis, monitoring changes in the law, amending internal regulations in line with evolving legislation

	of the Commercial Companies Code • Risk of violating business secrecy and confidential data • Risk of regulated advertising and intellectual property regulations violation	• Implementation of a system of periodical KRI (key risk indicators) on selected risk areas in order to identify and monitor breaches of implemented rules and processes • Implementing a unified system of creating and publishing marketing content
Taxes	• Risk of improper calculation and/or recognition of PIT / CIT / VAT • Risk of improper verification of contractors • Risk of non-effective implementation of procedures regarding tax reporting obligations	• Implementation of procedures to ensure proper calculation of tax liabilities • Designing tools to support the calculation of tax liabilities • Implementation of procedures concerning fulfillment of due diligence requirements towards contractors • Training on tax risks and the contractor verification process
Human resources/ workplace	• Risk of losing employees • Risk of non-compliance with labor law by employees • Risk of low employee involvement • Risk of mobbing and other abuses towards employees • Risk of unfair assessment of employees' professional development • Risk of lack of professional development opportunities for employees • Risk of low employee satisfaction with work	• Procedures and instructions regulating the workplace, including work regulations, remuneration and employee bonuses regulations • Activities and agreements with trade unions • Established and uniform rules for the use of the Social Benefits Fund • Ensuring compliance with labor law by training for management and continuous monitoring of working time records • Procedures and instructions for hiring new employees Benefits system for employees (private medical care, co-financing for sports activities) • Co-financing of education for employees • Cyclical survey of employees' opinions • Eurocash Group values - clearly defined and communicated to employees • Introducing a procedure for dealing with reports, a reporting path, protecting whistleblowers from reprisals, discrimination or other unfair treatment, protecting personal data and maintaining confidentiality - compliant with the European Parliament and Council Directive (EU) 2019/1937 on whistleblowers and the Recommended Standards for anti-corruption compliance management systems and the whistleblower protection system in companies listed on the markets organized by the Warsaw Stock Exchange SA • Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics • Work results management system • Annual employee development assessments • Talent development programs (Management Trainee and Sales & Operational Trainee) • E-learning platform with numerous employee trainings • External training according to the needs of given roles / functions / departments • Anti-mobbing policy • Activity in social media
Employees' health and safety	• Risk of accidents at work • Risk of fire and other accidents that may endanger the life and health of employees • The risk of access to unauthorized facilities that may endanger the safety of employees • Risk of assault on employees in the field and branches • Risk of occupational diseases (work at the computer, work in a warehouse, etc.)	• Internal health and safety procedures and instructions • Systematic checks on compliance with health and safety procedures and instructions • Health and safety training for employees • Systematic training on emergency actions (e.g. trial evacuations in case of fires, etc.) • Devices and means ensuring safety in crisis situations (fire, evacuation, etc.) • Providing AED (defibrillator) devices in the Group's facilities with a large

		number of employees • Protection against access by third parties and protection of objects • Ensuring the physical protection of employees and facilities • Systematic training in first aid • Program to increase driving safety • Co-financing for sport activities and private medical care • Functioning of sports clubs enabling integration and recreation of employees
Food Quality and Safety	• Risk of marketing food that is not tested, of dubious quality or does not meet legal standards • The risk of food being placed on the market after the expiration date • Risk of breaking the cold chain for fresh products • Risk of inadequate storage and transport of food products • Risk of inadequate disposal of overdue, defective or damaged products • Risk of non-compliance with sanitary requirements	• The implemented HACCP food safety program • IFS, BRC, ISO 22000 certifications and audits conducted by external entities in relation to the EC Group • Internal analysis and quality audits in distribution centers and branches • Dedicated team of food quality controllers covering geographically all regions of activity • OWDP (General Terms of Supply of Products) regulating cooperation with suppliers in the field of quality and food transport • In the case of own brand products - systematic audits at manufacturers' factories • Complaint process regarding both returns from customers and suppliers
Social and business environment	• Risk of stopping the development of entrepreneurship • Risk of stopping the development of local communities due to the lack of local entrepreneurship development • Risk of cessation of activity by local entrepreneurs (due to, for example, strong competition) • Risk of failure to comply with legal provisions • Risk of unauthorized/unlawful	• 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")

	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	• Satisfaction surveys of clients/entrepreneurs from cooperation with the Eurocash Group • Dedicated Compliance function in the EC Group (compliance with legal regulations) • Dedicated functions related to sustainable development and documents defining the Group's priorities in the field of CSR • Dedicated function to meet the requirements of GDPR - a separate team, procedures and instructions (in accordance with the requirements of the Act) • On-going and systematic monitoring of legal regulations and adaptation of activities to their requirements • Continuous monitoring and verification of the possession of valid alcohol licenses at recipients to whom such goods are sold for resale • The ban on trading on non-commercial Sundays • Verification of contractors' credibility Cooperation regulated by contracts with producers and suppliers • Cooperation with the Large 3+Family Union • Employees' participation in charitable initiatives, e.g. charitable events, collections and actions for those in need
Natural environment	• Risk of contamination or poisoning of the environment • Risk of excessive CO2 emissions • Risk of uncontrolled energy consumption in buildings and the transport fleet • Risk of generating waste unfavorable to the environment • Risk of a significant amount of waste (e.g. damage, food processing) • Risk of improper waste and secondary raw materials segregation	• Energy efficiency audits • Introduction of a fleet of hybrid cars • Introduction of the eco-driving program • Monitoring fuel consumption, driving style and emissions • Continuous improvement of the efficiency of the logistics chain • Continuous optimization of loss management in logistics • Cooperation with food banks • Waste segregation and management of recyclable materials

3.4 Note on seasonality

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

4.1 Principles applied in the preparation of annual consolidated financial statements

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

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

Accounting policy used to prepare financial statement was presented in a point 1.2 of additional information to the consolidated financial statement of Eurocash Group for the 2020 and was applied to all periods presented in the financial statement.

4.2 Eurocash Group: Financial and Operational Highlights

Table 5: Eurocash Group: External sales of goods by distribution format for 2020

PLN m	2020	2019	Change %
Wholesale	**18 892.61**	**18 710.44**	**0.97%**
Cash&Carry	4 666.89	4 592.12	1.63%
Tobacco	7 328.40	6 756.36	8.47%
Distribution	6 679.83	6 869.52	-2.76%
Food Service	176.76	478.27	-63.04%
Other	40.74	14.17	187.39%
Retail	**6 091.10**	**5 904.81**	**3.15%**
Delikatesy Centrum	2 373.10	2 215.31	7.12%
Delikatesy Centrum Own	3 270.53	3 206.61	1.99%
Inmedio	447.47	482.90	-7.34%
Projects	**300.41**	**104.56**	**187.31%**
Eurocash Group	**25 284.13**	**24 719.81**	**2.28%**

Wholesale

- In 2020 external sales of goods in Wholesale segment amounted to PLN 18 892.61 m and increased by 0.97% YoY.
- EBITDA in 2020 amounted to PLN 628.87 m in comparison to PLN 620.43 in 2019. EBITDA growth in 2020 was mainly driven by sales growth in the cigarette distribution format
- LFL sales growth (same number of stores) in Eurocash Cash&Carry stores in 2020 amounted to 1.63%.
- The number of Eurocash Cash&Carry stores at the end of 2020 was 180.
- The number of abc stores amounted to 9 317 at the end of 2020.
- Number of partnership or franchise stores organized by companies belonging to Eurocash Group (Groszek, Euro Sklep, Lewiatan and PSD) amounted to 5 251 stores as of the end of 2020.
- Sales of cigarettes in terms of value increased by 6.0% in 2020.

Retail:

- Sales of goods realized by Retail segment in 2020 amounted to PLN 6 091.10 m and increased by 3.15% YoY.
- In 2020 EBITDA amounted to PLN 315.41 m in comparison to PLN 311.09 m in 2019.
- LFL growth of wholesale sales realized by Eurocash to „Delikatesy Centrum" franchise stores amounted to 7.13% in 2020.
- LFL growth of retail sales of "Delikatesy Centrum" franchise stores amounted to 3.28% in 2020.
- LFL dynamic of retail sales in 2020 amounted in Inmedio stores to -9.97% YoY.
- Number of Small Supermarkets at the end of 2020 amounted to 1 573, including 967 Franchise stores and 606 Own stores.
- Number of Inmedio stores at the end of 2020 amounted to 432 stores.

Projects

- Sales of goods realized by Projects segment in 2020 amounted to PLN 300.41 m comparing to PLN 104.56 m in 2019. Sales increase was connected to Frisco full consolidation in 2020, Duży Ben chain of stores which entered the expansion phase with 129 stores at the end of 2020. Kontigo number of stores reached 36 at the end of 2020 and abc on wheels ended the year with 115 trucks.
- In 2020 EBITDA amounted to PLN -33.07 m comparing to PLN -40.24 m in 2019. Result of the segment was positively impacted by Frisco full consolidation, negatively by further expansion costs of all formats.

Others

In 2020 EBITDA amounted to PLN -107.04 m comparing to PLN -97.20 m in 2019.

Table 6: Eurocash Group: Operating segments adjusted results in 2020

1Q 2020 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	4 362.31	1 486.46	38.04	0.00	**5 886.81**
EBIT	43.96	-5.52	-17.43	-31.42	**-10.41**
(EBIT margin %)	1.01%	-0.37%	-45.81%	0.00%	**-0.18%**
EBITDA	106.81	60.12	-12.93	-27.83	**126.16**
(EBITDA margin %)	2.45%	4.04%	-33.98%	0.00%	**2.14%**

2Q 2020 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	4 657.13	1 476.95	44.47	0.00	**6 178.55**
EBIT	106.71	16.05	-13.40	-37.17	**72.18**
(EBIT margin %)	2.29%	1.09%	-30.14%	0.00%	**1.17%**
EBITDA	167.51	81.68	-5.89	-32.83	**210.46**
(EBITDA margin %)	3.60%	5.53%	-13.25%	0.00%	**3.41%**

3Q 2020 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	5 259.35	1 577.15	100.19	0.00	**6 936.69**
EBIT	124.52	12.76	-14.70	-34.68	**87.90**
(EBIT margin %)	2.37%	0.81%	-14.67%	0.00%	**1.27%**
EBITDA	184.94	76.41	-5.88	-30.39	**225.08**
(EBITDA margin %)	3.52%	4.84%	-5.87%	0.00%	**3.24%**

4Q 2020 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	4 613.85	1 550.55	117.71	0.00	**6 282.08**
EBIT	111.38	31.72	-21.07	-21.27	**100.76**
(EBIT margin %)	2.41%	2.05%	-17.90%	0.00%	**1.60%**
EBITDA	169.61	97.21	-8.37	-16.22	**242.23**
(EBITDA margin %)	3.68%	6.27%	-7.11%	0.00%	**3.86%**

Table 7: Eurocash Group: Operating segments results in 2020 YTD

1Q YTD 2020 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	4 362.31	1 486.46	38.04	0.00	**5 886.81**
EBIT	43.96	-5.52	-17.43	-31.42	**-10.41**
(EBIT margin %)	1.01%	-0.37%	-45.81%	0.00%	**-0.18%**
EBITDA	106.81	60.12	-12.93	-27.83	**126.16**
(EBITDA margin %)	2.45%	4.04%	-33.98%	0.00%	**2.14%**

2Q YTD 2020 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	9 019.44	2 963.40	82.51	0.00	**12 065.36**
EBIT	150.67	10.52	-30.83	-68.59	**61.77**
(EBIT margin %)	1.67%	0.36%	-37.37%	0.00%	**0.51%**
EBITDA	274.31	141.79	-18.82	-60.66	**336.63**
(EBITDA margin %)	3.04%	4.78%	-22.81%	0.00%	**2.79%**

3Q YTD 2020 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	14 278.80	4 540.55	182.70	0.00	**19 002.04**
EBIT	275.19	23.28	-45.53	-103.27	**149.67**
(EBIT margin %)	1.93%	0.51%	-24.92%	0.00%	**0.79%**
EBITDA	459.26	218.20	-24.70	-91.05	**561.71**
(EBITDA margin %)	3.22%	4.81%	-13.52%	0.00%	**2.96%**

4Q YTD 2020 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	18 892.65	6 091.10	300.41	0.00	**25 284.13**
EBIT	386.57	55.00	-66.60	-124.54	**250.43**
(EBIT margin %)	2.05%	0.90%	-22.17%	0.00%	**0.99%**
EBITDA	628.87	315.41	-33.07	-107.27	**803.94**
(EBITDA margin %)	3.33%	5.18%	-11.01%	0.00%	**3.18%**

Table 8: Eurocash Group: Operating segments results in 2020 YTD

1Q 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	32.52	-5.99	-12.75	-23.47	**-9.69**
(EBIT margin %)	0.79%	-0.45%	-81.06%	0.00%	**-0.18%**
EBITDA	96.35	56.40	-10.73	-20.65	**121.37**
(EBITDA margin %)	2.35%	4.25%	-68.23%	0.00%	**2.23%**

2Q 2019 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	4 886.50	1 498.51	23.27	0.00	**6 408.29**
EBIT	106.93	19.95	-11.91	-33.55	**81.41**
(EBIT margin %)	2.19%	1.33%	-51.19%	0.00%	**1.27%**
EBITDA	172.39	81.88	-8.81	-29.30	**216.16**
(EBITDA margin %)	3.53%	5.46%	-37.86%	0.00%	**3.37%**

3Q 2019 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	5 086.89	1 523.23	27.21	0.00	**6 637.34**
EBIT	108.59	13.02	-11.87	-25.41	**84.32**
(EBIT margin %)	2.13%	0.85%	-43.62%	0.00%	**1.27%**
EBITDA	172.15	79.00	-9.09	-22.85	**219.20**
(EBITDA margin %)	3.38%	5.19%	-33.41%	0.00%	**3.30%**

4Q 2019 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	4 628.88	1 555.66	38.34	0.00	**6 222.89**
EBIT	110.19	26.51	-16.54	-31.66	**88.49**
(EBIT margin %)	2.38%	1.70%	-43.14%	0.00%	**1.42%**
EBITDA	179.54	93.82	-11.60	-24.40	**237.35**
(EBITDA margin %)	3.88%	6.03%	-30.26%	0.00%	**3.81%**

Table 9: Eurocash Group: Operating segments results in 2020 YTD

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	32.52	-5.99	-12.75	-23.47	**-9.69**
(EBIT margin %)	0.79%	-0.45%	-81.06%	0.00%	**-0.18%**
EBITDA	96.35	56.40	-10.73	-20.65	**121.37**
(EBITDA margin %)	2.35%	4.25%	-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	139.45	13.96	-24.67	-57.02	**71.72**
(EBIT margin %)	1.55%	0.49%	-63.24%	0.00%	**0.60%**
EBITDA	268.74	138.27	-19.54	-49.95	**337.52**
(EBITDA margin %)	2.99%	4.89%	-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	248.03	26.98	-36.54	-82.44	**156.04**
(EBIT margin %)	1.76%	0.62%	-55.18%	0.00%	**0.84%**
EBITDA	440.89	217.27	-28.63	-72.80	**556.73**
(EBITDA margin %)	3.13%	5.00%	-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	358.22	53.48	-53.08	-114.10	**244.52**
(EBIT margin %)	1.91%	0.91%	-50.76%	0.00%	**0.99%**
EBITDA	620.43	311.09	-40.24	-97.20	**794.08**
(EBITDA margin %)	3.32%	5.27%	-38.48%	0.00%	**3.21%**

4.3 Profit and Loss Account – profitability analysis

Table 10: Eurocash Group: Summary of 2020 Financial Performance

PLN m	2020	2019	Change %
Sales revenues (traded goods, materials)	25 411.04	24 852.24	2.25%
Gross profit (loss) on sales	3 366.55	3 242.98	3.81%
Gross profitability on sales (%)	13.25%	13.05%	0.2 p.p.
EBITDA	803.94	794.08	1.24%
(EBITDA margin %)	3.16%	3.20%	-0.04 p.p.
EBIT	250.43	244.52	2.42%
(EBIT margin %)	0.99%	0.98%	-0.01 p.p.
Gross profit	107.92	113.42	-4.85%
Net Income	68.07	79.13	-13.97%
(Net profitability %)	0.27%	0.32%	-0.05 p.p.

Consolidated sales of Eurocash Group in 2020 amounted to PLN 25 411.04 m and increased by 2.25% YoY. Sales growth was driven by three segments: wholesale, retail, projects.

Gross margin on sales realized by Eurocash Group in 2020 increased by 0.2 p.p. YoY and amounted to 13.25%.
2020 EBITDA amounted to PLN 803.94 m compared with PLN 794.08 m previous year which means an increase of 1.24%.

The net profit in 2020 amounted to PLN 68.07 m and decreased by 13.97 p.p.

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 are presented in the tables below:

Table 11: Eurocash Group: Mix of Assets

PLN m	31.12.2020	%	31.12.2019	%
Non-current assets (long-term)	**5 087.65**	**63.08%**	**4 912.61**	**62.30%**
Goodwill	2 045.03	40.20%	1 850.00	37.66%
Intangible assets	349.69	6.87%	323.91	6.59%
Property, plant and equipment	721.04	14.17%	766.20	15.60%
Investment real property	1 795.46	35.29%	1 801.03	36.66%
Investment property	0.93	0.02%	0.94	0.02%
Investments in equity accounted investees	13.09	0.26%	24.62	0.50%
Other long-term investments	0.53	0.01%	7.06	0.14%
Long-term receivables	6.99	0.14%	14.32	0.29%
Deferred tax assets	145.20	2.85%	122.90	2.50%
Other long-term prepayments	9.70	0.19%	1.61	0.03%
Current assets (short-term)	**2 978.14**	**36.92%**	**2 972.40**	**37.70%**
Invetories	1 363.01	45.77%	1 271.27	42.77%
Trade receivables	1 309.24	43.96%	1 404.89	47.26%
Current tax receivables	28.74	0.96%	0.81	0.03%
Other short-term receivables	121.65	4.08%	111.96	3.77%
Other short-term financial assets	0.31	0.01%	2.93	0.10%
Short-term prepayments	37.70	1.27%	33.86	1.14%
Cash and cash equivalents	117.49	3.95%	146.67	4.93%
Fixed assets classified as held for sale	-	0.00%	-	0.00%
Total assets	**8 065.79**	**100.00%**	**7 885.01**	**100.00%**

PLN m	31.12.2020	%	31.12.2019	%
Equity	**1 002.84**	**12.43%**	**963.40**	**12.22%**
Equity attributable to Owners of the Company	**935.12**	**93.25%**	**896.98**	**93.11%**
Share capital	139.16	13.88%	139.16	14.45%
Treasury shares	-	0.00%	-	0.00%
Reserve capital	581.03	57.94%	596.71	61.94%
Treasury shares reserve	-	0.00%	-	0.00%
Hedging reserve	(21.73)	-2.17%	(5.33)	-0.55%
Option for purchase/selling the shares	(49.56)	-4.94%	(69.76)	-7.24%
Retained earnings	286.22	28.54%	236.20	24.52%
Non-controlling interests	224.41	22.38%	166.33	17.27%
Profit (loss) for the period	61.81	6.16%	69.86	7.25%
Non-controlling interests	67.72	6.75%	66.42	6.89%
Non-current liabilities	**2 137.17**	**30.26%**	**1 560.36**	**22.54%**
Long-term loans and borrowings	463.87	21.70%	-	0.00%
Long-term financial liabilities	130.68	6.11%	0.07	0.00%
Long-term lease liabilities	1 523.81	71.30%	1 527.02	97.86%
Other long-term liabilities	3.65	0.17%	4.13	0.26%
Deferred tax liabilities	(0.00)	0.00%	19.81	1.27%
Employee benefits	11.79	0.55%	7.34	0.47%
Provisions	3.36	0.16%	1.98	0.13%
Current liabilities	**4 925,78**	**69.74%**	**5 361.25**	**77.46%**
Loans and borrowings	227.06	4.61%	648.79	12.10%
Short-term financial liabilities	31.84	0.65%	21.10	0.39%
Short-term lease liabilities	355.98	7.23%	297.63	5,55%
Trade payables	3 701.26	75.14%	3 794.79	70.78%
Current tax liabilities	11.79	0.24%	49.23	0.92%
Other short-term payables	171.19	3.48%	191.30	3.57%
Current employee benefits	166.53	3.38%	147.72	2.76%
Provisions	260.13	5.28%	210.70	3.93%
Liabilities	**7 062.95**	**87.57%**	**6 921.61**	**87.78%**
Total equity and liabilities	**8 065.79**	**100.00%**	**7 885.01**	**100.00%**

Table 12: 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 2020.

Loans granted

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

Sureties and guarantees

Sureties and guaranties issued by the Eurocash Group companies are presented in Note 35 to the consolidated financial statements for 2020.

Issue of Securities and Bonds in 2019

Issue of shares

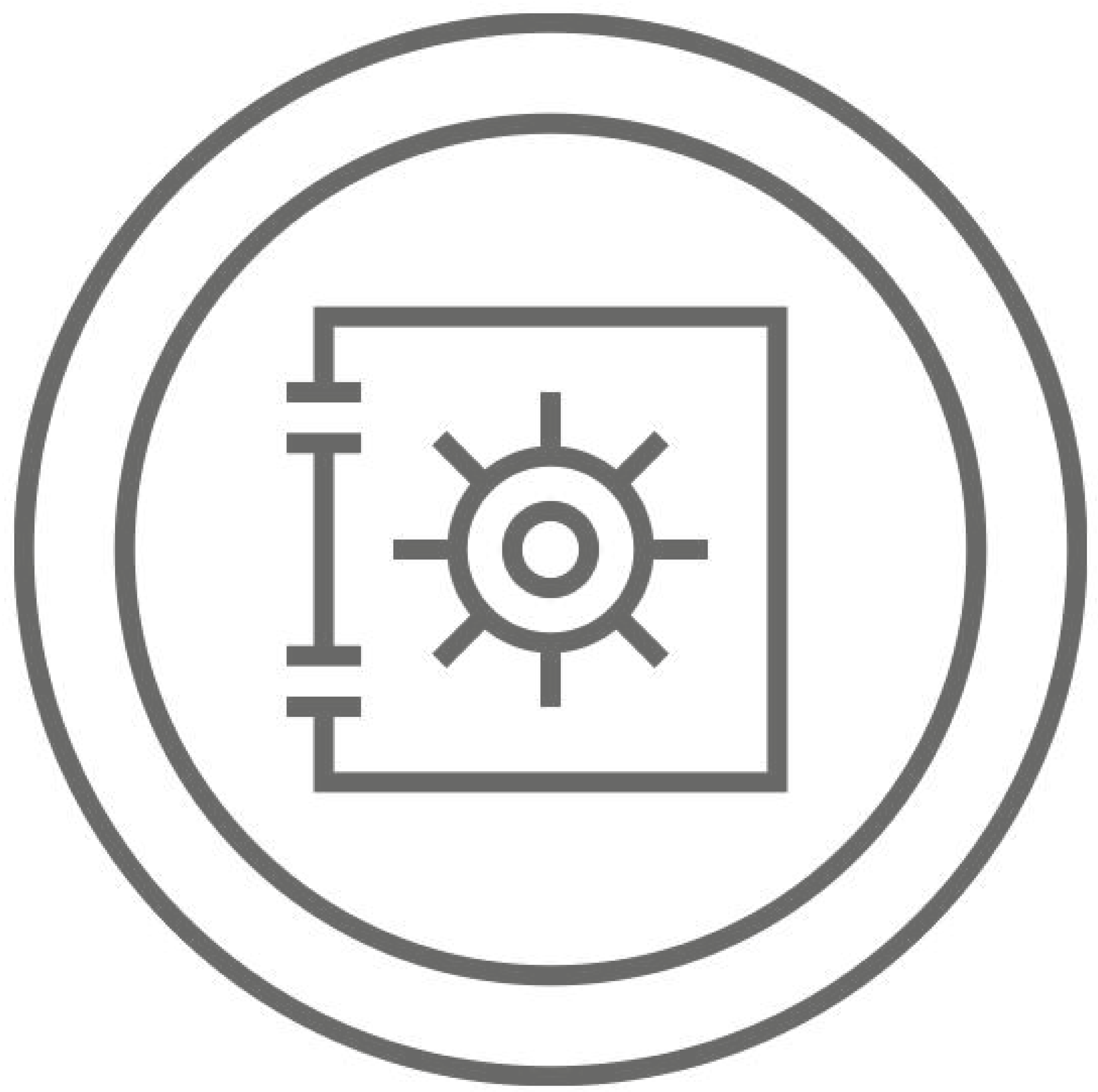
In the period between 1st January 2020 and 31st December 2020 no shares were issued

Issue of securities and bonds

On December 23rd 2020, 125,000 Series B unsecured bearer bonds with a par value of PLN 1,000 each and a total par value of PLN 125,000,000 were issued. The bonds were issued to refinance short-term loans and to finance the working capital of Eurocash S.A.

4.5 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 35 and 36.



4.6 Eurocash Group Cash Flow Analysis

Cash flow Statement

Table 13: Eurocash Group: Cash flows for 2020

PLN m	2020	2019
Operating cash flow	556.66	683.15
Gross profit (loss)	107.92	113.42
Depreciation	553.51	549.56
Change in working capital	(111.58)	(14.26)
Other	(6.81)	34.43
Cash flow from investments	(300.70)	(299.87)
Cash flow from financing activities	(285.14)	(433.17)
Total cash flow	(29.18)	(49.89)

Total cash flow in 2020 amounted to PLN -29.18 m, while the operating cash flow reached PLN 556.66 m. Cash flow from investments amounted to PLN -300.70 m and cash flow from financing activities amounted in 2020 to PLN -285.14 m.

Net debt of Eurocash Group at the end of December 2020 amounted to PLN 2 3615.75 m. Before IFRS16 net debt amounted to PLN 761.63 m comparing to PLN 528.09 m at the end of December 2019. The net debt/EBITDA ratio calculated according to the rules of bank covenants was 1.78 and met the bank 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.

Working capital rotation

Table 14: Eurocash Group: Consolidated Working Capital Ratios

Turnover in days	2020	2019
1. Inventories turnover	19.63	18.67
2. Trade receivables turnover	18.86	20.63
3. Trade liabilities turnover	(61.45)	(64.10)
4. Operating cycle (1+2)	38.49	39.30
5. Cash conversion (4+3)	(22.96)	(24.79)

Cash conversion cycle in 2020 amounted to -22.96 days compared to -24.79 days in 2019. Changes of rotation of each part of working capital was mainly attributable to different sales mix together with fast growing Tobacco and impulse products distribution format and the introduction of control mechanisms to adjust the rotation of liabilities to the requirements of the Act on amending certain laws to reduce payment congestion.

Evaluation of Funds Management

The Eurocash Group generates positive cash flows from operations. All key investments carried out in 2020 were financed from own funds and credit facilities taken up.

The main base of liquidity management in Eurocash Group is internal model of forecasting cash flows. Eurocash uses two lines of credit to hedge the liquidity needs of the Group. Eurocash Group optimizes liquidity at 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 37 in the part of the report which contains consolidated financial statements.

4.7 Investment Activity

Major investments Completed in 2020

Expenditures related to capital investments accounted for the largest share of capital expenditures in 2020 at 44.9%. Investments in the wholesale segment accounted for 32.0% and in the retail segment with a share of 16.2%.

Table 15: Eurocash Group: Key Investment Directions for Eurocash Group in 2020

PLN m	2020	2019
Capital investment (including acquisition of shares and stock)	153.11	74.41
Wholesale	109.22	134.35
Retail	55.45	80.68
Projects	23.35	18.06
Others	0.24	0.30
Total investment outlays	341.38	307.81

Assessment of Capacity to Carry out Anticipated Investments

Key investments planned for 2021 are related to:

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

In order to finance the aforementioned investments, 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 2020 Financial Performance of Eurocash Group

Equity Changes

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

Dividend Payment

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

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

5.1 Information on Court Proceedings

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

5.2 Information on Significant Agreements

In 2020 Eurocash Group companies did not enter into any agreement that could be considered significant.

Agreement with suppliers exceeding 10% of total sales revenues

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

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

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

5.4 Information on Transactions with Connected Entities

In 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 2020 or 2021.

5.6 Changes in Key Management Principles

Appointment of Members of the Supervisory Board

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

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

Appointment of Member of the Management Board

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

In 2020 there were no other major changes in the basic management principles.

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

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

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

5.8 Information on Registered Audit Company

The consolidated financial statements of Eurocash Group for 2020 were audited by Ernst & Young Audyt Polska sp. z o.o. sp. k. on the basis of a contract concluded on 9th May 2019 for three years.

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

Table 16: Eurocash Group: Capital expenditures for audit and review of financial statements

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

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

6.1 Indication of Corporate Governance Rules Applicable to Issuer

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

In the financial year ended on December 31st, 2020, the Company complied with the corporate governance principles set out in the document „Good Practices for Companies listed on WSE 2016" in accordance with the statement posted on the website:

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

6.2 Shareholders structure

Shareholders with Direct or Indirect Substantial Shareholding in Eurocash

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

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

	31.12.2020				31.12.2019			
Shareholder	Number of shares	Share in share capital (%)	Number of shares	Share in total number of votes	Number of shares	Share in share capital (%)	Number of shares	Share in total number of votes
Luis Amaral (directly and indirectly*)	61 287 778	44.04%	61 287 778	44.04%	61 287 778	44.04%	61 287 778	44.04%
Azvalor Asset Management S.G.I.I.C. S.A.	n/a	n/a	n/a	n/a	11 593 954	8.33%	11 593 954	8.33%
Others	77 875 508	55.96%	77 875 508	55.96%	66 281 554	47.63%	66 281 554	47.63%
Total	**139 163 286**	**100.00%**	**139 163 286**	**100.00%**	**139 163 286**	**100.00%**	**139 163 286**	**100.00%**

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

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

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

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

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

*indirectly through persons closely related
** role effective January 1, 2020

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

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

* role effective till October 20, 2020
** role effective October 20, 2020

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

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

Restrictions regarding Exercising Right to Vote

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

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

Restrictions regarding Transfer of Ownership Rights to Securities of Issuer

The Articles of Association do not provide for any restrictions regarding the transfer of ownership rights to securities of the Issuer. The restrictions, however, arise from the provisions of law, including hereinabove mentioned Chapter 4 of the Act on Offering, art. 11 and 19 and Part VI of the Act dated July 29, 2005 on Trading in Financial Instruments, Act dated February 16, 2007 on the Protection of Competition and Consumers as well as Council Directive (EC) No. 139/2004 dated January 20, 2004 on the control of business consolidations and Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

Agreements which May Result in Changes of Blocks of Shares Held

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

6.3 Diversity in the workplace

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

6.4 The parent's governing bodies

Management Board

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

The Company's management body is the Management Board. The Management Board of the Parent was composed of eight members in 2020. The composition of the Management Board at the day of December 31st 2020 is presented below.

Table 20: The composition of the Management Board at the end of 2020

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

Powers of the Management Board

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

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

I. determine the long- and medium-term development strategy as well as main objectives of the Company operations, increase the Company value to the shareholders and report them to the Supervisory Board, review the level of achievement of such goals and modify them if necessary,
II. define the Company's financial goals,
III. implement and follow through the long- and medium-term development strategy as well as the main Company's operating objectives and financial goals,
IV. analyze major investment projects and related methods of funding,
V. determine the principles of HR and remuneration policies, including:
- appointment of the Company's key management staff,
- determining principles of employment, remuneration, and HR policies, as well as conducting a periodical analysis of the HR situation in the Company,

VI. establish the Company's organizational structure,
VII. approve the annual and/or long-term Company's budget,
VIII. determine an internal division of duties and responsibilities for Management Board Members,
IX. set down Rules and other internal regulations of the Company unless the provisions of law or Articles of Association provide otherwise,
X. take decisions on matters of exceptional importance as well as matters and transactions which may constitute material risk to the Company in line with the justified opinion of the Management Board Member,
XI. request that the Supervisory Board submit an appraisal of draft resolutions which are to be presented to Shareholders at the Shareholders' Meeting,
XII. any other actions which go beyond the ordinary management of the Company.

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

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

https://grupaeurocash.pl/assets/media/eurocash-by-laws-of-the-management-board2672858461.pdf

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

Information on remuneration paid to the members of the Management Board in 2020 is provided in the section of the annual report which contains the annual consolidated financial statements, in Note 33.

Supervisory Board

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

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

The composition of the Supervisory Board in the period January 1st – December 31st 2020 was as presented in the table below.31st 2019 was as presented in the table below.

Table 21: The composition of the Supervisory Board in 2020

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

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

I. Hans Joachim Körber and Ewald Raben and Przemysław Budkowski as Supervisory Board members, appointed by the Company's General Shareholders' Meeting, and
II. Mr. Renato Arie and Jorge Mora appointed by Politra B.V. s.a.r.l., who submitted representation which meet criteria of an independent Supervisory Board member.

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

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

Powers of the Supervisory Board

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

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

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

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

entity in which the Company is a majority shareholder.

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

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

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

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

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

https://grupaeurocash.pl/assets/media/by-laws-of-the-supervisory-board-of--eurocash-sa-2018.pdf

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

Information on remuneration paid to the members of the Supervisory Board in 2020 is provided in the section of the annual report which contains the annual consolidated financial statements, in Note 33.

Supervisory Board Committees

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

I. the Audit Committee,
II. the Remunerations Committee,
III. the Nomination Committee.

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

a) monitoring:
(i) the financial reporting process;
(ii) the effectiveness of the Company's internal control and risk management systems and internal audit, including in the scope of the financial reporting process; and

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

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

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

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

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

(i) assessing the statutory auditor's independence, remuneration and any 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 comprised in the period 01.01.2020 - 31.12.2020: Mr Jorge Mora (Chairman of the Audit Committee), Mr Francisco José Valente Hipólito dos Santos (Member of the Audit Committee), in the period 01.01.2020 - 20.10.2020 Mr Ewald Raben (Member of the Audit Committee), in the period 20.10.2020 - 31.12.2020 Mr Przemysław Budkowski (Member of the Audit Committee).

Responsibilities of the Remunerations Committee include as follows:

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

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

(iii) ensuring the disclosure to the Supervisory Board of the remuneration of the Management Board resulting from an implementation of the remuneration policy,

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

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

Responsibilities of the Nomination Committee include as follows:

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

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

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

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

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

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

https://grupaeurocash.pl/assets/media/by-laws-of-the-supervisory-board-of--eurocash-sa-2018.pdf

General Shareholders' Meeting

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

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

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

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

According to the Articles of Association, the powers of the General Meeting include in particular:

I. review and approval of the Management Board Report on the operations of the Company and financial statements for the previous financial year, and granting approval to members of the Company's governing bodies for the performance of their duties;
II. decisions concerning claims to remedy damage inflicted at the time of the Company's establishment or in connection to its management by the Management Board;
III. sale or lease of the enterprise or an organized part thereof as well as the creation of limited property rights therein;
IV. creation of the Company's capitals and funds and their allocation;
V. approval of the Company's long-term strategic plans;
VI. adopting resolutions on the distribution of profit and loss cover;
VII. amending the Articles of Association;
VIII. increasing and decreasing the Company's share capital;
IX. dissolution or liquidation of the Company;
X. authorization for the Company to enter into a standby or firm commitment underwriting agreements;
XI. taking decisions in other matters which rest within the exclusive competence of the General Meeting pursuant to the provisions of the Commercial Companies Code or other laws or pursuant to the Company's Statutes.

6.5 Discussion of Amendments to Issuer's Statutes

A resolution adopted by the Shareholders' Meeting concerning amendments to the Statutes must be preceded by an appraisal issued by the Company's Supervisory Board. Amendments to the provisions of the Statutes which consist in material changes to the subject matter of the Company's business operations without share buyout from shareholders who do not consent to the amendments requires that the resolution of the General Shareholders' Meeting be adopted by the majority of 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 6.4of the Report.

The Management Board manages the affairs of the Company and represents the Company externally. The Management Board may decide on the share buyout in circumstances and on terms determined in commonly applicable provisions of law. The detailed rules governing the functioning of the Management Board are stipulated in Point 6.4 of the Report.

6.7 Information on Employee Shares Control System

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

Incentive programs assumed for issuance of up to 4.200.000 shares (approximately 3% of the current number of shares). The period of exercise of the options (subscription rights for convertible bonds) is 3-5 years. The issue price of shares in Incentive Programs will be equal to the average price of Eurocash shares on the Warsaw Stock Exchange S.A. on the day of quotations immediately preceding the resolution of the General Meeting on the establishment of these Programs.
In a resolution dated 20 October 2020. The Extraordinary Shareholders' Meeting of Eurocash S.A. repealed the resolutions of the Ordinary Shareholders' Meeting of the Company dated 25 April 2017 on the issue of shares under the Employee Incentive and Bonus Schemes for 2017 - 2019 (Schemes XI - XVI). As indicated in the text of the resolution, the purpose of adopting the Incentive and Bonus Programs for Employees was to create additional incentive mechanisms for the management and key employees of the Eurocash S.A. Group companies to achieve medium-term strategic goals and create shareholder value. One of the economic consequences of the Covid-19 pandemic is the drop in share prices on the stock exchanges, including the price of the Company's shares on the Warsaw Stock Exchange, which on the date of the General Shareholders' Meeting amounted to approximately PLN 15.00 and was far below the price at which the shares could be acquired by the Persons Participating in the Schemes (PLN 32.51). Consequently, the Programmes lost their bonus and motivational character, and further management and service of the Programmes generated additional costs on the side of the Company.

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

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

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

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

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

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

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

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

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

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

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

The Management Board of the Controlling Entity systematically evaluates the quality of internal control and risk management systems in relation to the process of drafting consolidated financial statements. In line with such evaluation, the Management Board of the Controlling Entity declared that as at December 31st, 2020 no weaknesses existed which could have a material adverse effect on the effectiveness of internal controls as far as financial reporting is concerned.

6.9 Information regarding Audit Committee

1. The following members of the Audit Committee meet the statutory independence criteria, in period from 1st January 2020 to 31st December 2020 Mr. Jorge Mora (Chairman of the Audit Committee), from 1st January 2020 to 20th October 2020 Mr.Ewald Raben and Mr. Przemysław Budkowski from 20th October 2020 to 31st December 2020.

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

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

- Mr. Jorge Mara – he graduated from the University of Miami with a Business degree in 1989 and from the Wharton School of Business with an MBA in 1993. He has over 25 years of experience working in International corporate advisory and private equity investing. Most recently he was Vice-Chairman and Senior Managing

Director of Macquarie Capital in the USA. Prior to that he was the Group Head of Financial Sponsor coverage at Lazard and before that a Managing Director at UBS. Currently he is active on several not-for-profit Boards and in Venture Capital investing.

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

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

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

4. The policy of selecting an audit firm

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

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

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

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

7.1 Business model

Eurocash Group is the largest Polish wholesale company distributing FMCG products, supporting Entrepreneurs and independent retail trade in Poland. Company is present on Polish market 26 years. Thanks to combination of business experience, commitment of Eurocash Group employees and the entrepreneurship of local store owners, Eurocash Group has gained a leading position in FMCG distribution in Poland.

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

After 26 years of running business and supporting clients, Eurocash Group has deserved the title of patron of polish entrepreneurship. Supporting and developing entrepreneurship is also one of the bases of Company's sustainable development strategy - this is how Eurocash understand its responsibility towards society.

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

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

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

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

7.2 Description of the Eurocash Group Corporate Social Responsibility Management

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

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

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

Table 22. Eurocash Group Sustainable Development Strategy 2020+

Pillar	Key topics	Ambitions	Sustainable Development Goals
Entrepreneurship Development	• Providing Entrepreneurs with purchasing power, retail concepts and development tools • Supporting succession and young Entrepreneurs, expanding the number of people employed in retail • Increasing the role of Entrepreneurs in the society by promoting their activities for the society • Creating conditions for the development of innovative solutions for small and medium-sized Entrepreneurs. • średnich Przedsiębiorców.	Building responsible entrepreneurship that ensures the sustainable development of society and the economy of the whole country.	8 WZROST GOSPODARCZY I GODNA PRACA 9 INNOWACYJNOŚĆ, PRZEMYSŁ, INFRASTRUKTURA
Quality without compromise for everyone	• Providing products of the highest quality • Ensuring product safety • Alawys provides consumers with quality products that are always safe and affordable • Building a responsible supply chain • Ensuring supply chain continuity	Providing safe, high quality food to every customer (who owns the store) to the widest possible group of consumers nationwide	12 ODPOWIEDZIALNA KONSUMPCJA I PRODUKCJA
We do not waste	• Reducing CO2 emissions by reducing fuel and energy consumption • Reducing food waste	Reducing food waste and CO2 emissions.	2 ZERO GŁODU 13 DZIAŁANIA W DZIEDZINIE KLIMATU
Safety and employee engagemen	• Ensuring safety in the workplace • Enhancing employee engagement and development	Creating the best working conditions for everyone	8 WZROST GOSPODARCZY I GODNA PRACA

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

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

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

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

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

Table 23: Risk management system

Risk area	Risk examples	Elements of the risk management system - methods of monitoring and controlling
Ethics and counteracting corruption	• Risk of public corruption • Risk of corruption in relations with contractors • Risk of fraud against employees • Risk of internal frauds • Risk of conflict of interest	• Eurocash Group's Code of Ethics • Eurocash Group values - clearly defined and communicated to employees • Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics • Introducing a procedure for dealing with reports, a reporting path, protecting whistleblowers from reprisals, discrimination or other unfair treatment, protecting personal data and maintaining confidentiality - compliant with the European Parliament and Council Directive (EU) 2019/1937 on whistleblowers and the Recommended Standards for anti-corruption compliance management systems and the whistleblower protection system in companies listed on the markets organized by the Warsaw Stock Exchange SA • Anti-mobbing policy • Training for employees on Eurocash Group values and ethics rules • Instructions for accepting gifts from contractors (giving gifts for charity) • Implementation of procedures and process for managing conflicts of interest, including a survey-declaration of actual or potential conflicts of interest.
Legal	• Risk of consumer law violation • Risk of competition law violation • Risk of forbidden agreements regulations violation • Risk of violating regulations on payment congestion	• Policies and procedures to monitor compliance with consumer rights legislation • Training and awareness-raising of employees • Monitoring the profile and level of risks identified in the Group • Implementing an effective compliance

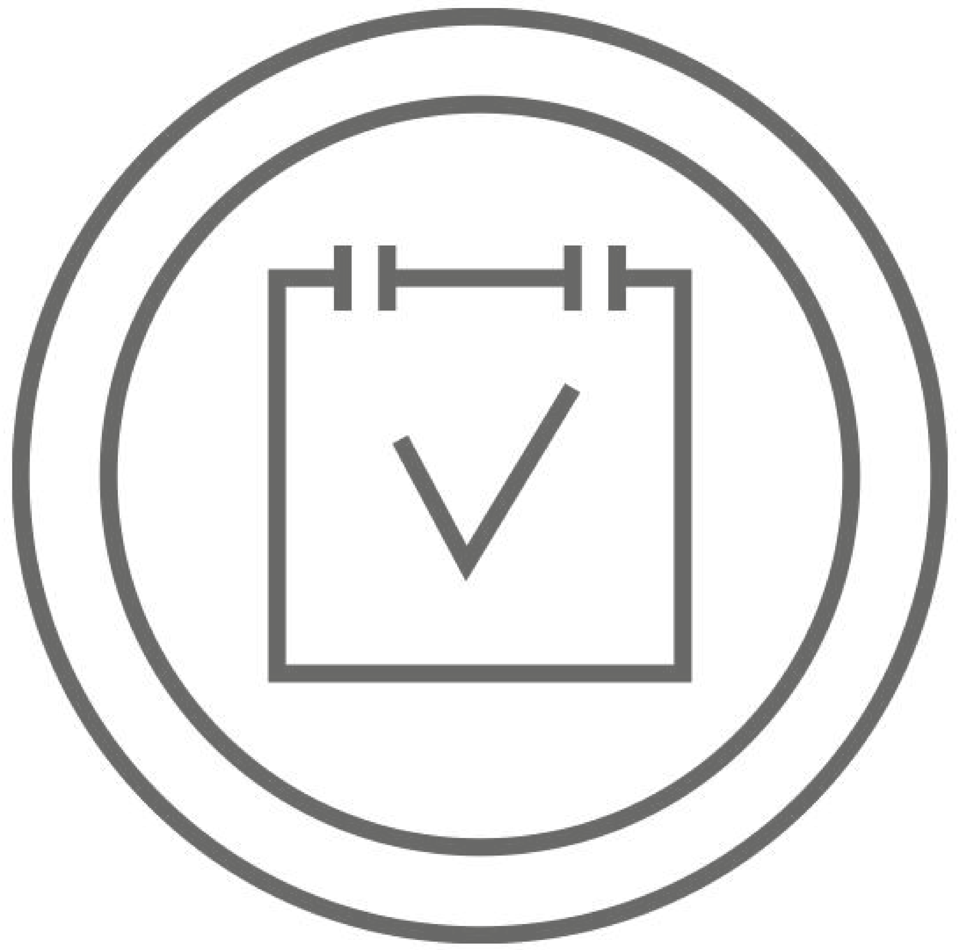
	• Risk of violating antitrust law • Risk of violation of personal data protection regulations • Risk of violating the provisions of the Commercial Companies Code • Risk of violating business secrecy and confidential data • Risk of regulated advertising and intellectual property regulations violation	system to monitor key risks on an ongoing basis, monitoring changes in the law, amending internal regulations in line with evolving legislation • Implementation of a system of periodical KRI (key risk indicators) on selected risk areas in order to identify and monitor breaches of implemented rules and processes • Implementing a unified system of creating and publishing marketing content
Taxes	• Risk of improper calculation and/or recognition of PIT / CIT / VAT • Risk of improper verification of contractors • Risk of non-effective implementation of procedures regarding tax reporting obligations	• Implementation of procedures to ensure proper calculation of tax liabilities • Designing tools to support the calculation of tax liabilities • Implementation of procedures concerning fulfillment of due diligence requirements towards contractors • Training on tax risks and the contractor verification process
Human resources/ workplace	• Risk of losing employees • Risk of non-compliance with labor law by employees • Risk of low employee involvement • Risk of mobbing and other abuses towards employees • Risk of unfair assessment of employees' professional development • Risk of lack of professional development opportunities for employees • Risk of low employee satisfaction with work	• Procedures and instructions regulating the workplace, including work regulations, remuneration and employee bonuses regulations • Activities and agreements with trade unions • Established and uniform rules for the use of the Social Benefits Fund • Ensuring compliance with labor law by training for management and continuous monitoring of working time records • Procedures and instructions for hiring new employees Benefits system for employees (private medical care, co-financing for sports activities) • Co-financing of education for employees • Cyclical survey of employees' opinions • Eurocash Group values - clearly defined and communicated to employees • Introducing a procedure for dealing with reports, a reporting path, protecting whistleblowers from reprisals, discrimination or other unfair treatment, protecting personal data and maintaining confidentiality - compliant with the European Parliament and Council Directive (EU) 2019/1937 on whistleblowers and the Recommended Standards for anti-corruption compliance management systems and the whistleblower protection system in companies listed on the markets organized by the Warsaw Stock Exchange SA • Line of trust for employees to anonymously report cases of corruption, abuse and breaches of the Code of Ethics • Work results management system • Annual employee development assessments • Talent development programs (Management Trainee and Sales & Operational Trainee) • E-learning platform with numerous employee trainings • External training according to the needs of given roles / functions / departments • Anti-mobbing policy • Activity in social media
Employees' health and safety	• Risk of accidents at work • Risk of fire and other accidents that may endanger the life and health of employees • The risk of access to unauthorized facilities that may endanger the safety of employees • Risk of assault on employees in the field and branches • Risk of occupational diseases (work at the computer, work in	• 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

	a warehouse, etc.)	crisis situations (fire, evacuation, etc.) • Providing AED (defibrillator) devices in the Group's facilities with a large number of employees • Protection against access by third parties and protection of objects • Ensuring the physical protection of employees and facilities • Systematic training in first aid • Program to increase driving safety • Co-financing for sport activities and private medical care • Functioning of sports clubs enabling integration and recreation of employees
Food Quality and Safety	• Risk of marketing food that is not tested, of dubious quality or does not meet legal standards • The risk of food being placed on the market after the expiration date • Risk of breaking the cold chain for fresh products • Risk of inadequate storage and transport of food products • Risk of inadequate disposal of overdue, defective or damaged products • Risk of non-compliance with sanitary requirements	• The implemented HACCP food safety program • IFS, BRC, ISO 22000 certifications and audits conducted by external entities in relation to the EC Group • Internal analysis and quality audits in distribution centers and branches • Dedicated team of food quality controllers covering geographically all regions of activity • OWDP (General Terms of Supply of Products) regulating cooperation with suppliers in the field of quality and food transport • In the case of own brand products - systematic audits at manufacturers' factories • Complaint process regarding both returns from customers and suppliers
Social and business environment	• Risk of stopping the development of entrepreneurship • Risk of stopping the development of local communities due to the lack of local entrepreneurship development • Risk of cessation of activity by local entrepreneurs (due to, for example, strong competition) • Risk of failure to comply with legal provisions • Risk of unauthorized/unlawful disclosure of personal information • Risk of selling alcohol for resale to recipients without valid alcohol concessions • Risk of cooperation with counterparties unreliable in the tax context • Risk of unfair business practices applied by the Group's employees	• Entrepreneurship Academy (training, post-graduate studies for clients and franchisees, etc.) • Innovative business tools - eurocash.pl platform • Offering various business cooperation solutions (several franchise networks, new concepts of retail stores, etc.) • Applying good business practices • Support for equal treatment of entrepreneurs by producers ("Equals in business") • Satisfaction surveys of clients/entrepreneurs from cooperation with the Eurocash Group • Dedicated Compliance function in the EC Group (compliance with legal regulations) • Dedicated functions related to sustainable development and documents defining the Group's priorities in the field of CSR • Dedicated function to meet the requirements of GDPR - a separate team, procedures and instructions (in accordance with the requirements of the Act) • On-going and systematic monitoring of legal regulations and adaptation of activities to their requirements • Continuous monitoring and verification of the possession of valid alcohol licenses at recipients to whom such goods are sold for resale • The ban on trading on non-commercial Sundays • Verification of contractors' credibility Cooperation regulated by contracts with producers and suppliers • Cooperation with the Large 3+Family Union • Employees' participation in charitable initiatives, e.g. charitable events, collections and actions for those in need
Natural environment	• Risk of contamination or poisoning of the environment • Risk of excessive CO2 emissions • Risk of uncontrolled energy consumption in buildings and the transport fleet • Risk of generating waste unfavorable to the environment • Risk of a significant amount of waste (e.g. damage, food processing) • Risk of improper waste and secondary raw materials segregation	• Energy efficiency audits • Introduction of a fleet of hybrid cars • Introduction of the eco-driving program • Monitoring fuel consumption, driving style and emissions • Continuous improvement of the efficiency of the logistics chain • Continuous optimization of loss management in logistics • Cooperation with food banks • Waste segregation and management of recyclable materials

8.1 Appointment of Entity Qualified to Audit Financial Statements

The Supervisory Board of Eurocash, acting under par.14 point 2 Statute of the Company, on 9th May 2019, chose Ernst&Young Audyt Polska Sp. z o.o. sp. k. with its registered office in Warsaw, entered by the National Chamber of Statutory Auditors on the list of entities authorized to audit financial statements under No. 130, on the external auditor to examine the company's financial statements for the year 2020.

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



APPENDIX 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

SIGNATURES OF MANAGEMENT BOARD MEMBERS

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

PART C

SELECTED CONSOLIDATED FINANCIAL DATA

FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

KOMORNIKI, 10th March 2021

Selected consolidated financial data

	za okres od 01.01.2020 do 31.12.2020 PLN	za okres od 01.01.2019 do 31.12.2019 PLN	za okres od 01.01.2020 do 31.12.2020 EUR	za okres od 01.01.2019 do 31.12.2019 EUR
Przychody ze sprzedaży	25 411 041 702	24 852 240 696	5 717 027 021	5 782 280 292
Zysk (strata) z działalności operacyjnej	250 429 086	244 522 216	56 342 037	56 892 093
Zysk (strata)przed opodatkowaniem	107 920 831	113 422 816	24 280 245	26 389 673
Zysk (strata) netto z działalności kontynuowanej	68 073 610	79 125 593	15 315 337	18 409 863
Zysk (strata) netto	68 073 610	79 125 593	15 315 337	18 409 863
Środki pieniężne netto z działalności operacyjnej	556 662 298	683 148 760	125 238 998	158 945 733
Środki pieniężne netto z działalności inwestycyjnej	-300 697 430	-299 865 827	-67 651 510	-69 768 689
Środki pieniężne netto z działalności finansowej	-285 142 921	-433 171 924	-64 152 025	-100 784 533
Zmiana netto stanu środków pieniężnych i ich ekwiwalentów	-29 178 053	-49 888 991	-6 564 537	-11 607 490
Średnia ważona liczba akcji zwykłych	139 163 286	139 163 286	139 163 286	139 163 286
Średnia ważona rozwodniona liczba akcji zwykłych	139 163 286	139 163 286	139 163 286	139 163 286
Zysk (strata) na jedną akcję zwykłą (w PLN / EUR)	0,44	0,50	0,10	0,12
Rozwodniony zysk na jedną akcję zwykłą (w PLN / EUR)	0,44	0,50	0,10	0,12
Średni kurs PLN / EUR*			4,4448	4,2980

	Niebadane na dzień 31.12.2020 PLN	Niebadane na dzień 31.12.2019 PLN	Niebadane na dzień 31.12.2020 EUR	Niebadane na dzień 31.12.2019 EUR
Aktywa	8 065 788 761	7 885 005 966	1 747 808 954	1 851 592 337
Zobowiązania długoterminowe	2 137 167 827	1 560 356 149	463 111 690	366 409 804
Zobowiązania krótkoterminowe	4 925 779 793	5 361 250 600	1 067 387 491	1 258 952 824
Kapitał własny	1 002 841 141	963 399 217	217 309 773	226 229 709
Kapitał zakładowy	139 163 286	139 163 286	30 155 865	32 678 945
Liczba akcji zwykłych	139 163 286	139 163 286	139 163 286	139 163 286
Rozwodniona liczba akcji zwykłych	139 163 286	141 963 286	139 163 286	141 963 286
Wartość księgowa na jedną akcję (w PLN / EUR)	6,72	6,45	1,46	1,51
Rozwodniona wartość księgowa na jedną akcję (w PLN / EUR)	6,72	6,32	1,46	1,48
Wypłacona dywidenda (w PLN / EUR)	3 323 004	143 380 084	720 075	33 669 152
Wypłacona dywidenda na jedną akcję (w PLN / EUR)	0,02	1,03	0,01	0,24
Kurs PLN / EUR na koniec okresu**			4,6148	4,2585

* Pozycje rachunku zysków i strat oraz sprawozdania z przepływów pieniężnych przeliczono według średnioważonego kursu NBP za 2020 r.

** Pozycje sprawozdania z sytuacji finansowej i wartość księgową na jedną akcję przeliczono według średniego kursu ogłoszonego przez NBP, obowiązującego na dzień kończący okres sprawozdawczy.

PART D

AUDITOR'S OPINION & REPORT

KOMORNIKI, 10th March 2021

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 2020 to 31 December 2020, the consolidated statement of financial position as at 31 December 2020, the consolidated statement of cash flows and the consolidated statement of changes in equity for the period from 1 January 2020 to 31 December 2020 and the summary of significant accounting policies and other explanatory notes (the '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 2020 and its consolidated financial performance and its consolidated cash flows for the period from 1 January 2020 to 31 December 2020 in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union and the adopted accounting policies,

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

The opinion is consistent with the additional report to the Audit Committee issued on 10 March 2021.

Basis for opinion

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

ERNST & YOUNG IN POLAND IS A MEMBER OF ERNST & YOUNG GLOBAL
District Court for the City of Warsaw, Economic Dept. XII of the National Court Register, KRS: 0000481039
Tax Identification Number (NIP): 526-020-79-76

We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. While conducting the audit, the key certified auditor and the audit firm remained independent of the 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 25 411 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	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.

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 determination whether the particular company from the Group acts as agent or principal - are considered to be complex. Taking into account also the scale of revenues we assessed that area as key audit matter. The relevant disclosures are set out in point 2.2.28 of the accounting principles "Sales revenues" and note 27 "Sales revenues in the accounting period" to the consolidated financial statements.	We analyzed transactions taking place before and after the balance sheet date as well as credit notes and corrections issued after the year end date for the determination of revenue recognition period. We also gained understanding and analyzed key terms and conditions of the agreements with customers to assess whether amounts recognized as revenues were accurate and recognized in the correct period. We performed analytical procedures and test of details related to selected revenues accounts and accounts receivables, including confirmation of balances. 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 22 044 million. Companies from the Group receive various types of vendor allowances and price reductions. Those settlements have significant impact on cost of sales. Majority of them are settled during the financial year while as at 31 December 2020, the position not yet settled with vendors amounted to approximately PLN 529 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	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 review of the

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 2.2.19 of the accounting principles "Trade receivables and other short-term receivables", in point 2.2.25 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.	subsequent collections of receivables recognized in prior reporting period. We also considered the adequacy of the Group's disclosures in respect of costs of sales and related settlements.
Inventory valuation	
As at 31 December 2020, the value of inventories reported in the consolidated statement of financial position was PLN 1 363 million. This issue was determined to be a key audit matter for the audit of the consolidated financial statements of Eurocash S.A. due to the significant value of this item in the consolidated statement of financial position, multiplicity of the locations at which inventories are held including cash&carry halls, stores and distribution centers and due to the professional judgment of management involved in valuation of the inventories including purchase price determination including bonuses from vendors allocated to stock and recognition of impairment losses recognised with a view to arriving at inventory net realisable value; this relates to making	As part of the audit, we documented our understanding of the process of analysis and recognition of inventory at cost and confirmation of their existence, as well as impairment assessment for inventories. We also assessed the internal control environment for those areas and performed tests of controls in relation to the existence and valuation of the inventories at cost, as well as other substantive audit procedures. In particular, we analyzed the Group's accounting policies regarding initial inventory recognition and recognition of impairment losses on inventories including net realizable value assessment and, based on selected samples, we performed the following procedures for the valuation of inventories and their existence: - analysis of recognition of the inventory items at cost including allocation of the bonuses from vendors to the relevant inventory categories;

significant estimates in the area of inventory turnover, planned future selling prices of goods for resale, cost of their sale, as well as the physical state including expiry dates. In our judgement we considered potential risk of coronavirus SARS-CoV-2 epidemic and its impact on inventory valuation. Inventory-related disclosures, including those referring to inventory valuation at net realisable value, were presented in the point 2.2.16 „Inventory" and note 13 "Inventories" to the consolidated financial statements.	- direct participation in the inventory physical count procedures; - assessment of the appropriateness of the internal control procedures related to the confirmation of the inventories' existence, including mandatory stocktaking procedures performed by the warehouse management departments, as well as additional procedures performed by the Group; - analysis of net realizable values as well as historical data related to realised margins and impairment losses recognized in prior periods; - analysis of utilization of prior year impairment losses; - analysis of other factors and assumptions relevant for the inventory impairment such rotation ratios and expiry dates. We also considered the adequacy of the Group's disclosures in respect of inventories.
Going concern assumption – liquidity risk analysis	
The attached consolidated financial statements were prepared based on the assumption that the Parent entity and the Group's companies will continue their operations in the foreseeable future, i.e. for a period at least 12 months from the end of the reporting period. Due to the number of factors of the current market environment affecting Group's liquidity during the year ended 31 December 2020 and after balance sheet date following the SARS-CoV-2 coronavirus outbreak, the Parent entity's Management assessed, at the date of the signing the consolidated financial statements, the impact of the situation on the going concern assumption including future cash flows, among others by analysis of possible	As part of our procedures, we have considered the following: - the budget and forecasts of short-term cash flows for 2021, taking into account the assumptions of alternative scenarios (stress tests) in view of the current market situation, as prepared by the Parent entity's Management; - terms and conditions of loan agreements and other available sources of financing for the Group, including credit and reverse factoring facilities. In addition, as part of our procedures: - we reviewed the business plans of the Management Board of the Parent entity and the minutes of meetings of the Management Board, the Supervisory Board and the General Meetings, and discussed these plans with the Management of the Parent

negative scenarios of impact of market trends on the future cash flows of the Group as a whole. The assessment of the ability of the Parent entity and other companies of the Group to continue their operations made by the Management of the Parent entity, requires significant judgment on the future events or conditions existing for a certain period of time, which is related to inherent uncertainty. Taking into account the above, we consider this issue to be a key audit of matter for the audit of the consolidated financial statements. In note no 2.1.8 "Going concern" of general information to the consolidated financial statements, the Management Board of the Parent entity disclosed the circumstances and the activities relevant for the preparation of the consolidated financial statements of the Group on the going concern basis , as well as in the note 37 "Managing the financial risk" there were disclosures included related to the financial risk including liquidity risk.	entity and evaluated the reliability of the data being basis of the forecasts, as well as determined whether relevant assumptions for those forecasts are justified; - we discussed with the Management of the Parent entity the results of the Management's analysis of events after the balance sheet date; - we made the review of the current level of cash, the availability of sources of financing within the Group, as well as the actions taken to maintain the financing of the activities of the Parent entity and other companies from the Group; - we discussed with the Management Board of the Company possible events that could have significantly affect and modify the going concern assumption; - we have assessed the assumptions of alternative scenarios adopted by the Management of the Parent entity; - we discussed with the Management of the Parent entity the results of the going concern analysis prepared by them, including the assessment of the impact of the SARS-CoV-2 coronavirus outbreak on the planned cash flows, carried out on the basis of an analysis of negative scenarios for the activities of the Company and the Group after balance sheet date, - we have received written representations of the Management of the Parent entity for plans and assumptions taking into account the risk of further spread of the coronavirus SARS-CoV-2 coronavirus outbreak that may affect the Company's and Group's activities. We have assessed also the disclosures included in the consolidated financial statements.

Impairment of goodwill and other intangible assets	
At 31 December 2020, the carrying value of goodwill and other intangible assets, including trademarks with indefinite useful life amounted to PLN 2 395 million and constituted 30% of the Group's total assets as of that date. Those assets were subject to annual impairment test in accordance with requirements of IAS 36 Impairment of assets. The Group performed an impairment tests at 31 December 2020 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 2.2.6 of the accounting principles "Intangible assets", point 2.1.5 "Judgements and assumptions" and note 7 "Impairment	Our audit procedures included the understanding and analysis 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 models calculations and the reconciliation of the source data to current financial forecasts and budgets, - assessment of key assumptions and estimates of the models for the assessment of value in use, including assumptions related to the future cash flows and residual values after the detailed forecast period, - comparison of the assumptions made by the Management in relation to the future cash flows including in particular sales revenues, to the available market forecasts including impact of SARS-Cov-2 coronavirus outbreak on the sector, and discussion on the variances in those assumptions, - the comparison of applied discount and growth rates to the market benchmarks with support of our internal valuation specialists, - testing the sensitivity of the recoverable amount in the available headroom of the model considering 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.

tests" to the consolidated financial statements.	We have assessed the adequacy of 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. Interpretation of settlements between related parties by external bodies (including tax authorities) may differ from the interpretation adopted by the Management Board. General Anti-Avoidance Rule (GAAR) is valid in the polish tax law. GAAR is intended to prevent the creation and use of artificial legal arrangements to avoid payment of tax in Poland and is effective also with respect to transactions performed following its entry into force as well as transactions that were carried out before, but the benefits are being achieved after the date of its entry into force. Implementation of the above provisions results in increased scrutiny of tax authorities in relation to tax settlements, in particular in relation to group's restructurings and reorganizations, contributions etc. 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	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 reports of independent tax advisors. In particular, we evaluated the management's assessment of uncertainty over tax treatments, for which relevant interpretations, rulings and decisions, income tax and VAT practices, tax authorities examinations results are taken into consideration. We obtained explanations from management and evidence including communication with tax authorities, relevant calculations and copies of external tax advice reports. We used our tax specialist to assist us in the evaluation of the Management's judgments in the light of 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.

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 2.2.33 of the accounting principles "Uncertainties related to tax settlements" and note 25 "Income tax" to the consolidated financial statements.	
Recognition & valuation of contracts under IFRS 16 "Leasing"	
At 31 December 2020, the value of right-of-use assets amounted to PLN 1 795 million. At 31 December 2020, the value of leasing liabilities amounted to PLN 1 880 million. IFRS 16 'Leasing' ("IFRS 16") requires an analysis of contracts and business	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

relationships, as well as a number of judgments and estimates related to determining ,whether the contract is in terms of IFRS 16 and how it should be covered in accordance with that standard (i.a. determine the scope of application new standard, lease periods, minimum leasing payments or discount rates). Therefore, the quantity and variety of contracts and the fact that the Group applied this standard to prepared the attached financial statements for the first time, was considered the key audit matter. Disclosures relating to right-of-use assets and leasing liabilities related to the use of IFRS 16 are included note 6 "Right-of-use assets", note 24 "Lease liabilities" of additional information to the consolidated financial statements. Disclosures relating to relevant accounting policies for leasing, including key judgments and estimates, are included in the points 2.2.8 "Right of use assets" and 2.2.10 "Leasing" of accounting principles and in point 2.1.5 "Judgements and assumptions" to the consolidated financial statements.	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 process of identifying of the agreements within the IFRS 16 and the assessment of key control mechanisms in this regard; - perform test of details for the sample of contracts to verify the accuracy of the parameters used for the calculation of the leasing liability and right-of-use assets; - analysis of the completeness of the identification of contracts falling within the scope of IFRS 16. 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.

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

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

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

Other information, including the Directors' Report

The other information comprises the Directors' Report for the period from 1 January 2020 to 31 December 2020, the representation on the corporate governance and the representation on preparation of the statement on non-financial information, mentioned in article 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 representation

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.

Report on other legal and regulatory requirements

Opinion on the compliance of the consolidated financial statements prepared in the single electronic reporting format with the requirements of the regulation on technical standards on the specification of a single electronic reporting format

As part of our audit of the consolidated financial statements we were engaged to perform an assurance engagement to obtain reasonable assurance in order to express an opinion on whether the consolidated financial statements of the Group for the year ended 31 December 2020 prepared in the single electronic reporting format included in the file named 'Eurocash-2020-12-31.zip' ('consolidated financial statements in ESEF format') was tagged in accordance with the regulations specified in the Commission Delegated Regulation (EU) of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the 'ESEF Regulations') and meet the technical requirements of a single electronic reporting format which are specified in these regulations.

Identification of criteria and description of the subject matter

The consolidated financial statements in ESEF format were prepared by the Company's Management in order to meet the tagging requirements and technical requirements of a single electronic reporting format which are specified in the ESEF Regulations.

The subject matter of our assurance engagement is the compliance of the consolidated financial statements in ESEF format against the requirements of the ESEF Regulations, while the requirements specified in these regulations represent, in our opinion, applicable criteria for us to express an opinion providing reasonable assurance.

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

The Company's Management is responsible for the preparation of the consolidated financial statements in ESEF format in accordance with the tagging requirements and technical requirements of a single electronic reporting format which are specified in the ESEF Regulations. Such responsibility includes the selection and application of appropriate XBRL tags using the taxonomy specified in these regulations.

The responsibility of Company's Management also includes the design, implementation and maintenance of such internal control as determined is necessary to enable the preparation of the consolidated financial statements in ESEF format that are free from any material incompliance with the ESEF Regulations.

The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process, including the preparation of financial statements in compliance with the form in accordance with the governing legal regulations.

Auditor's responsibility

Our objective was to express an opinion, based on the performed assurance engagement providing reasonable assurance, that the consolidated financial statements in ESEF format was tagged in accordance with the ESEF requirements and whether it is in compliance with the technical requirements of a single electronic reporting format which are specified in these regulations.

We have performed our assurance engagement in accordance with the National Standard on Assurance Engagements Other than Audit and Review 3000 (R) in the form of the International Standard on Assurance Engagements 3000 (revised) – 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information' ('ISAE 3000 (R)').

This standard, impose an obligation on the auditor to plan and execute procedures in order to obtain reasonable assurance, that the consolidated financial statements in ESEF format were prepared in accordance with specified criteria.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (R) will always detect material misstatement when it exists.

The selection of procedures depend on the auditor's professional judgment, including the assessment of risks of material misstatements due to error or fraud. When performing risk assessment and in order to design procedures to be performed the auditor takes into consideration the internal controls related with the preparation of the consolidated financial statements in ESEF format, which can provide the auditor with sufficient and appropriate evidence. The assessment of the internal controls was not performed for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Summary of performed procedures

Procedures that were designed and performed by us included among others:

- obtaining an understanding of the process of preparation of the consolidated financial statements in ESEF format including the Company's process of selection and application of XBRL tags and maintaining compliance with the ESEF Regulations;
- reconciling of the tagged information included in the consolidated financial statements in ESEF format to the audited consolidated financial statements;
- assessment of the compliance with the technical standards on the specification of a single electronic reporting format, including the use of the XTHML format, with the use of specialistic IT tools;
- assessment of the completeness of the tagging of information in the consolidated financial statements in ESEF format with XBRL tags;

- assessment whether the applied XBRL tags from the taxonomy specified by the ESEF regulations were applied appropriately and that extensions to the elements in the taxonomy specified in the ESEF regulations were used when there were no suitable elements in the taxonomy specified in the ESEF Regulations;
- evaluating of the anchoring of the taxonomy extensions to the elements in the taxonomy specified by the ESEF Regulations.

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

Ethical requirements, including independence

While performing the assurance engagement, the key certified auditor and the audit firm have complied with the independence and other ethical requirements as specified by the Code of ethics. The Code of ethics is based on the fundamental principles related to integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We have also complied with other independence requirements and ethical responsibilities in accordance with required applicable rules of such assurance engagement in Poland.

Quality control requirements

The accounting firm applies national quality control standards in the form of International Standard on Quality Control 1 – 'Quality Control for Firms that Perform Audits and Reviews of Financial Statements and other Assurance and Related Services Engagements' as adopted by a resolution of the National Council of Certified Auditors ('ISQC').

In accordance with ISQC, the audit firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Opinion

The matters described above constitute the basis for our opinion which is why our opinion should be read in conjunction with these matters.

In our opinion, the consolidated financial statements in ESEF format was prepared in all material respect in accordance with the requirements of the ESEF Regulations.

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 four consecutive years.

Warsaw, 10 March 2021

Key Certified Auditor

Robert Klimacki
certified auditor
no in the register: 90055

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

PART E

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

KOMORNIKI, 10th March 2021

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 2020 and ended 31 December 2020 and comparative period is the period from 1 January 2019 to 31 December 2019.
Consolidated statement of financial position has been prepared as at 31 December 2020, and the comparative figures are presented as at 31 December 2019.

2. BOARD OF THE PARENT ENTITY

2.1. MANAGEMENT BOARD OF THE PARENT ENTITY

As at 31 December 2020 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,
Noel Collett – Member of the Management Board.

2.2. SUPERVISORY BOARD

As at 31 December 2020 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,
Przemysław Budkowski – Member of the Supervisory Board.

2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

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

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

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

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01.01 TO 31.12.2020

	Note	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Sales		**25 411 041 702**	**24 852 240 696**
Sales of goods	27	25 284 125 376	24 719 807 498
Sales of services	27	118 050 050	127 140 587
Sales of materials	27	8 866 276	5 292 611
Costs of sales		**(22 044 490 865)**	**(21 609 265 689)**
Costs of goods sold		(22 036 165 521)	(21 604 354 212)
Costs of materials sold		(8 325 344)	(4 911 477)
Gross profit (loss)		**3 366 550 837**	**3 242 975 007**
Selling expenses	28	(2 740 733 634)	(2 614 213 629)
General and administrative expenses	28	(424 170 163)	(414 428 632)
Profit (loss) on sales		**201 647 040**	**214 332 746**
Other operating income	29	147 445 580	87 034 992
Other operating expenses	29	(98 663 534)	(56 845 522)
Operating profit (loss)		**250 429 086**	**244 522 216**
Financial income	30	31 344 910	36 307 202
Financial costs	30	(174 406 232)	(162 286 198)
Share in profits (losses) of equity accounted investees		553 067	(5 120 404)
Profit (loss) before tax		**107 920 831**	**113 422 816**
Income tax expense	25	(39 847 221)	(34 297 223)
Profit (loss) for the period		**68 073 610**	**79 125 593**
Attributable to:			
Owners of the Company		61 809 736	69 862 037
Non-controlling interests		6 263 874	9 263 556

EARNINGS PER SHARE

	Note	PLN / share	PLN / share
Profit (loss) attributable to Owners of the Company		61 809 736	69 862 037
Weighted average number of shares		139 163 286	139 163 286
Weighted average diluted number of shares	31	139 163 286	139 163 286
Earnings per share			
- basic		0,44	0,50
- diluted		0,44	0,50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01 TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Profit (loss) for the period	**68 073 610**	**79 125 593**
Other comprehensive income for the period	(16 406 815)	2 310 741
Items that may be subsequently reclassified to profit or loss:		
- The result on hedge accounting with the tax effect:	(16 406 815)	2 310 741
Total comprehensive income for the period	**51 666 795**	**81 436 334**
Total Income		
Owners of the Company	45 402 921	72 172 778
Non-controlling interests	6 263 874	9 263 556
Total comprehensive income for the period	**51 666 795**	**81 436 334**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2020

Assets	*Note*	as at 31.12.2020	as at 31.12.2019
Non-current assets		**5 087 653 021**	**4 912 606 710**
Goodwill	4	2 045 033 805	1 850 000 695
Intangible assets	4	349 690 980	323 905 814
Property, plant and equipment	5	721 040 045	766 197 929
Right of use assets	6	1 795 460 872	1 801 034 427
Investment property	8	925 711	941 407
Investments in equity accounted investees	9	13 093 250	24 619 456
Other long-term investments	10	525 090	7 064 491
Long-term receivables	11	6 991 418	14 323 674
Deferred tax assets	26	145 196 345	122 904 027
Other long-term prepayments	12	9 695 505	1 614 790
Current assets		**2 978 135 740**	**2 972 399 256**
Inventories	13	1 363 009 516	1 271 273 085
Trade receivables	14	1 309 239 675	1 404 893 545
Current tax receivables	14	28 735 480	808 002
Other short-term receivables	14	121 646 500	111 963 366
Other short-term financial assets	15	310 325	2 933 505
Short-term prepayments	16	37 702 436	33 857 892
Cash and cash equivalents	17	117 491 808	146 669 861
Total assets		**8 065 788 761**	**7 885 005 966**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2020

Equity and liabilities	*Note*	as at 31.12.2020	as at 31.12.2019
Equity		**1 002 841 141**	**963 399 217**
Equity attributable to Owners of the Company		**935 121 773**	**896 981 814**
Share capital	18	139 163 286	139 163 286
Reserve capital		581 032 164	596 712 164
Valuation equity of hedging transactions		(21 734 503)	(5 327 688)
Option for purchase/selling the shares		(49 561 267)	(69 761 777)
Retained earnings		286 222 093	236 195 829
Accumulated profit / loss from previous years		224 412 358	166 333 792
Profit (loss) for the period		61 809 735	69 862 037
Non-controlling interests		67 719 368	66 417 403
Liabilities		**7 062 947 620**	**6 921 606 749**
Non-current liabilities		**2 137 167 827**	**1 560 356 149**
Long-term loans and borrowings	22	463 869 947	-
Other long-term financial liabilities	23	130 683 208	70 671
Long-term lease liabilities	24	1 523 813 632	1 527 021 294
Other long-term liabilities	21	3 651 826	4 132 976
Deferred tax liabilities	26	-	19 806 994
Employee benefits	20	11 787 295	7 344 214
Provisions	20	3 361 919	1 980 000
Current liabilities		**4 925 779 793**	**5 361 250 600**
Loans and borrowings	22	227 058 411	648 790 562
Other short-term financial liabilities	23	31 839 487	21 098 739
Short-term lease liabilities	24	355 977 522	297 625 204
Trade payables	21	3 701 260 627	3 794 788 277
Current tax liabilities	21	11 793 488	49 233 587
Other short-term payables	21	171 191 572	191 296 725
Current employee benefits	20	166 532 059	147 720 291
Provisions	20	260 126 627	210 697 215
Total equity and liabilities		**8 065 788 761**	**7 885 005 966**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01 TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Cash flow from operating activities		
Profit (loss) before tax	**107 920 831**	**113 422 816**
Adjustments for:	**672 859 287**	**710 129 729**
Depreciation and amortization	553 511 209	549 556 884
Share in profits (losses) of equity accounted investees	(553 067)	5 120 404
Valuation of motivational programm	-	5 880 000
Gain (loss) on sale of property, plant and equipment	(33 258 763)	15 148 486
Profit (loss) on exchange rates	32 695 061	(3 672 456)
Dividends received	(234 921)	(708 278)
Interest expenses	126 381 405	146 527 682
Interest received	(5 681 637)	(7 722 993)
Operating cash before changes in working capital	**780 780 118**	**823 552 545**
Changes in inventory	(86 920 607)	32 005 353
Changes in receivables	82 391 427	(40 124 170)
Changes in payables	(107 054 196)	(6 137 155)
Changes in provisions and employee benefits	55 473 258	29 853 618
Other adjustments	(1 351 894)	(213 559)
Operating cash	**723 318 106**	**838 936 632**
Interest received	3 914 273	3 943 184
Interest paid	(44 500 968)	(58 814 505)
Income tax paid	(126 069 113)	(100 916 551)
Net cash from operating activities	**556 662 298**	**683 148 760**
Cash flow from investing activities		
Aquisition of intangible assets	(64 621 835)	(79 891 373)
Proceeds from sale of intangible assets, property, plant and equipment	1 707 367	3 884 868
Aquisition of property, plant and equipment tangible fixed assets	(123 639 281)	(153 503 279)
Proceeds from sale of property, plant and equipment	12 157 057	10 859 594
Income/expenses on other short-term financial assets	-	(8 901 312)
Dividends received	234 921	708 278
Aquisition of subsidiaries, net of cash aquired *	(128 339 174)	(74 411 759)
Loans granted	(64 682)	(2 441 455)
Interest received	1 868 197	3 830 611
Net cash used in investing activities	**(300 697 430)**	**(299 865 827)**
Cash flow from financing activities		
Income/expenses for other financial liabilities	(3 878 336)	(3 290 365)
Issue of financial debt securities	125 000 000	-
Expense due to the purchase of minority shares *	(24 769 895)	-
Proceeds from loans and borrowings	365 693 014	105 782 846
Repayment of borrowings	(339 462 286)	-
Expenses for liabilities from leasing	(310 392 330)	(302 884 107)
Other interests	(77 088 345)	(68 521 435)
Interests on loans and borrowings	(16 921 739)	(20 878 779)
Dividends paid	(3 323 004)	(143 380 084)
Net cash used in financing activities	**(285 142 921)**	**(433 171 924)**
Net change in cash and cash equivalents	**(29 178 053)**	**(49 888 991)**
Cash and cash equivalents at the beginning of the period	146 669 861	196 558 852
Cash and cash equivalents at the end of the period	**117 491 808**	**146 669 861**

* Note 1

CONSOLIDATED STATEMENT ON CHANGES IN EQUITY FOR THE PERIOD FROM 01.01 TO 31.12.2020

	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 31.12.2019								
Balance as at 01.01.2019 after changes	**139 163 286**	**594 118 607**	**(57 363 613)**	**(7 638 429)**	**306 758 024**	**975 037 875**	**61 370 645**	**1 036 408 520**
Owners of the Company	-	-	-	-	69 862 037	**69 862 037**	-	**69 862 037**
Non-controlling interests	-	-	-	-	-	**-**	9 263 556	**9 263 556**
Profit / loss	**-**	**-**	**-**	**-**	**69 862 037**	**69 862 037**	**9 263 556**	**79 125 593**
Other comprehensive income	-	-	-	2 310 741	-	**2 310 741**	-	**2 310 741**
Total comprehensive income for the period from 01.01. to 31.12.2019	**-**	**-**	**-**	**2 310 741**	**69 862 037**	**72 172 778**	**9 263 556**	**81 436 334**
Dividends paid	-	-	-	-	(139 163 286)	**(139 163 286)**	(4 216 798)	**(143 380 084)**
Valuation of motivational program for employees	-	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)**
Changes in equity	-	2 593 557	(12 398 164)	2 310 741	(70 562 195)	**(150 228 839)**	5 046 758	**(73 009 303)**
Balance as at 31.12.2019	**139 163 286**	**596 712 164**	**(69 761 777)**	**(5 327 688)**	**236 195 829**	**896 981 814**	**66 417 403**	**963 399 217**
Changes in equity in the period from 01.01 to 31.12.2020								
Balance as at 01.01.2020	**139 163 286**	**596 712 164**	**(69 761 777)**	**(5 327 688)**	**236 195 829**	**896 981 814**	**66 417 403**	**963 399 217**
Owners of the Company	-	-	-	-	61 809 736	**61 809 736**	-	**61 809 736**
Non-controlling interests	-	-	-	-	-	**-**	6 263 874	**6 263 874**
Profit / loss	**-**	**-**	**-**	**-**	**61 809 736**	**61 809 736**	**6 263 874**	**68 073 610**
Other comprehensive income	-	-	-	(16 406 815)	-	**(16 406 815)**	-	**(16 406 815)**
Total comprehensive income for the period from 01.01. to 31.12.2020	**-**	**-**	**-**	**(16 406 815)**	**61 809 736**	**45 402 921**	**6 263 874**	**51 666 795**
Dividends paid	-		-	-		**-**	(3 323 004)	**(3 323 004)**
Dividends declared	-	-	-	-		**-**	(246 361)	**(246 361)**
Resignation from the incentive program	-	(15 680 000)	-	-	15 680 000	**-**	-	**-**
Option for purchase/selling the shares	-	-	(4 569 385)	-		**(4 569 385)**	-	**(4 569 385)**
Purchase of minority shares *	-	-	24 769 895	-	(20 107 373)	**4 662 522**	(4 662 522)	**-**
Other	-	-	-	-	(7 356 099)	**(7 356 099)**	3 269 978	**(4 086 121)**
Total contributions by and distributions to Owners of the Company	**-**	**(15 680 000)**	**20 200 510**	**-**	**(11 783 472)**	**(7 262 962)**	**(4 961 909)**	**(12 224 871)**
Changes in equity	**-**	**(15 680 000)**	**20 200 510**	**(16 406 815)**	**50 026 264**	**38 139 959**	**1 301 965**	**39 441 924**
Balance as at 31.12.2020	**139 163 286**	**581 032 164**	**(49 561 267)**	**(21 734 503)**	**286 222 093**	**935 121 773**	**67 719 368**	**1 002 841 141**

* Note 1

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01 TO 31.12.2020

1. GENERAL INFORMATION

1.1. ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

According to the resolution of the Management Board dated 10 March 2021 the consolidated financial statements of Eurocash S.A. Group for the period from 1 January 2020 to 31 December 2020 were authorized for issue by the Management Board.

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

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 accounting principles applied to the preparation of the consolidated financial statements are consistent with those applied to the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2019, except for the application of new or amended standards and interpretations applicable to annual periods beginning on or after 1 January 2020.

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

a) Amendments to IFRS 3: Definition of a Business

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

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

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

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

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

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

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

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

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

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

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

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

- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) - effective for financial years beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) - the effective date was deferred indefinitely by IASB;
- IFRS 17 Insurance Contracts (issued on 18 May 2017) including Amendments to IFRS 17 (issued on 25 June 2020) – effective for financial years beginning on or after 1 January 2023;
- Amendments to IAS 1: *Presentation of financial statements - Division of liabilities into short-term and long-term and Division of liabilities into short-term and long-term* - postponement of the effective date (published on 23 January 2020 and 15 July 2020, respectively) - applicable to annual periods beginning on 1 January 2023 or later,
- Amendments to IFRS 3: Reference to the Conceptual Framework (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2022;
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of

these financial statements - effective for financial years beginning on or after 1 January 2022;

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

The effective dates are 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.
The potential impact of the above changes is immaterial from the Group's point of view.

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.

Impairment of assets

Judgment is required to analyze the premises for impairment and conduct tests. In this context, in particular, the feasibility of budgets and the impact of the Covid-19 pandemic on the Group's operations were analyzed. As a consequence of these premises, the Group conducted tests for the loss of goodwill and other assets. This required estimating the value in use of the cash-generating units to which the goodwill and trademarks are allocated. Estimating the value in use consists in determining the future cash flows generated by the cash-generating unit and requires determining the discount rate to be applied in order to calculate the present value of these flows. The assumptions made for that purpose are presented in Note 7.

Impairment of trade receivables

In the current period, estimates of expected credit losses ("ECL") were updated. The level of losses was influenced by the current situation related to the Covid-19 pandemic. Details are included in note 38.

Revenue recognition

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

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

Leasing - recognition of the lessee

The application of IFRS 16 requires the Group to exercise various types of judgment, including determining which contracts fit into the lease definition, what parameters should be used to measure the lease liability and whether there are indications of the need to reassess the lease term or the discount rate.
For contracts concluded for an indefinite period, the Management Board of the Company makes a judgment to determine with sufficient certainty the duration of the contract based on budget assumptions.

The Group has the option, under some lease agreements, to extend the term of the asset lease. After the commencement date, the Group cyclically assesses the lease term, and in the event of a significant event or change in circumstances under its control that affect its ability to exercise (or not exercise) the extension option (e.g. change in business strategy), it makes appropriate changes in terms of the contract.
The Group makes similar assessments for contracts concluded for an indefinite period.

Classification of liabilities due to reverse factoring

The Eurocash Group uses many financial instruments, including supply chain financing agreements (reverse factoring) in relation to its trade liabilities. Considering the potential impact of such agreements on the statement of cash flows and the statement of financial position, the Group analyzes the content of such agreements each time.

As long as the invoice transferred to the factor is not due (taking into account the additional maturity date specified by the supplier in the financial agreement), it is included in the trade liability.
In particular, the Management Board assesses whether the supplier financing program does not materially change the terms of payment to suppliers, the size of the dates of occurrence and the nature of future cash flows, and the costs of financing a trade credit.
If significant modifications to the terms of repayment of trade liabilities are identified, the Group changes the classification accordingly and recognizes the liabilities covered by factoring as separate debt financing.

Depreciation rates

The Group recognizes that the “Eurocash” and “abc” trademarks are recognizable on the market and plans to use them in its operations for a long time. Therefore, the Group assumes that the useful lives of the trademarks "Eurocash" and "abc" are indefinite and they are not amortized. The "Eurocash" and "abc" trademarks are subject to an annual impairment test.

The Group determines the depreciation rates based on the assessment of the expected useful life of the items of property, plant and equipment and intangible assets, and performs their periodic verification.

Split payment

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

Deferred tax asset

The Group recognizes a deferred tax asset based on the assumption that a tax profit will be generated in the future that will allow for its use. Deterioration of the tax results obtained in the future could make this assumption unjustified
The Group carefully assesses the nature and scope of evidence supporting the conclusion that it is probable that future taxable profit will be sufficient to deduct from it unused tax losses, unused tax credits or other negative temporary differences.

Court cases

Determining the amount of the provision for court cases requires judgment as to whether the 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 2019, except for the application of new or changed standards and interpretations effective for annual periods beginning on 1 January 2020 or later.

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.

On 02.03.2020, there was a merger of company Delikatesy Centrum Sp. z o.o. (acquiring company) with Delikatesy Centrum Sklepy Sp. z o.o. (company being acquired).
On 20.03.2020, Delikatesy Centrum Podlasie Sp. z o.o. changed its name into Platforma Innowacji Handlu Sp. z o.o.
On 09.06.2020, the remaining 50% of shares in FHC2 Sp. z o.o. and Madas Sp. z o.o. were purchased.
On 25.06.2020, the remaining 55.97% of shares in Frisco S.A. were purchased.
On 01.07.2020, there was a merger of company Eurocash Franczyza Sp. z o.o. (acquiring company) with Convenience Sp. z o.o. (company being acquired).
On 01.09.2020, Investpol700 Koja-Invest Sp.z o.o. sp.j. changed its name into Investpol700 Eurocash Nieruchomości Sp. z o.o. sp. j.
On 22.10.2020, Platforma Innowacji Handlu Sp. z o.o. changed its name into Innowacyjna Platforma Handlu Sp. z o.o.
On 30.10.2020, the company Sushi 2 Go Sp. z o.o. was sold.
On the basis of the Resolution of 20.10.2020, on 01.12.2020, DEF Sp. z o.o. was merged with Eurocash S.A.
Based on the resolution of 28 October 2020, Domelius Limited was dissolved.
On the basis of the Resolution of 20.11.2020, on 30.12.2020, Eurocash Food Sp. z o.o. was merged with Eurocash Franczyza Sp. z o.o.
On the basis of the Resolution of 15.12.2020, on 31.12.2020, Mila Holding S.A. was merged with Eurocash S.A.

1.8. GOING CONCERN ASSUMPTION

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

On 19 June 2020, the Group concluded a three-year loan agreement with a syndicate of banks with a limit of PLN 600 million, the use of which as at 31 December was PLN 250 million. At the same time, the Management Board decided to use this loan in July 2020 to refinance the loan agreement ending in September 2020, thereby changing the short-term nature of this financing to long-term. As at 31 December 2020, there was a surplus of current liabilities over its current assets in the amount of PLN 1.9 billion. At the same time, as at 31 December 2020, there was a surplus of trade liabilities over current assets (trade receivables and inventories) in the amount of PLN 1.0 billion, which, according to the Management Board, is typical for the industry in which the Group operates, in which a significant part of sales is made on cash terms , inventories are minimized, and suppliers provide deferred payment terms, and the Group also uses reverse factoring instruments. At the same time, the Group is developing the retail network, involving its own funds and funds from external sources of financing.

The financial plans prepared by the Management Board for 2021 and subsequent years, as described in detail below, indicate that the Group maintains liquidity and the ongoing servicing of liabilities. The financing conditions included in the loan agreements are monitored on an ongoing basis. As at the balance sheet date, 31 December, 2020, none of these conditions was violated. In addition, as at the balance sheet date, 31 December 2020, the Group also had unused credit limits in the amount of PLN 570.7 million (in total, as at 31 December 2020, the Group had limits on funds in the amount of PLN 1,251.8 million).

The Group also analyzed the timeliness of settling its trade liabilities, details are included in note 36. The Group plans to maintain the structure and dates of rotation of liabilities in subsequent reporting periods.

Covid-19 coronavirus pandemic described in Note 38, which affects Eurocash Group companies, the Group monitors the situation on an ongoing basis and complies with the recommendations of the Chief Sanitary Inspector and other services in Poland. Special preventive measures are taken and recommended to employees on an ongoing basis, minimizing the risk of infection.

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

In order to secure financial liquidity in the event of unfavorable epidemic scenarios in 2021, Eurocash Group obtained additional loans in the third and fourth quarter of 2020 as part of the anti-crisis shield, with collateral in the form of an 80% surety from Bank Gospodarstwa Krajowego in the amount of PLN 150 million. As at 31 December 2020, these loans were used up to PLN 75 million. The Group is considering an offer for another PLN 50 million. As a standard, the Group also has active, as at the date of these financial statements, loans maturing within 12 months from the date of the last extension. The total amount of financing available under these loans is PLN 279 million and their use is PLN 133.3 million. In each adopted model, the Management Board assumes that all current credit limits in current accounts will be extended for subsequent periods in unchanged amounts. Moreover, in the second quarter of 2020, a loan was released under the agreement concluded with the European Bank for Reconstruction and Development, in the amount of PLN 222.75 million. PLN, valid until June 2025. The funds from this loan were used mainly to finance the purchase of Frisco S.A.

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

and was made public by listing it on the ASO (Catalyst) market on the Stock Exchange Market. Details on the issue are included in note 23.
In order to continue operating activities, and in particular to ensure financing of the supply chain, the Group maintains limits in factoring institutions in the amount of PLN 2.16 billion. In July 2020, the Group replaced part of the factoring program with a guaranteed one under the anti-crisis shield, with an 80% guarantee from Bank Gospodarstwa Krajowego in the amount of PLN 125 million.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with the historical cost concept, except for derivative financial instruments measured at fair value.

The most important accounting principles applied by the Capital 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.

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 0, 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 value of the payment transferred includes the fair value of the transferred assets, liabilities incurred by the Company towards the previous owners of the acquiree and shares issued by the Company. The value of the consideration transferred also includes the fair value of the part of the contingent consideration, as well as the fair value of the acquiree's share-based awards transferred by the acquirer, which are mandatorily replaced in business combinations. If the business combination results in the expiry of prior obligations between the Company and the acquiree, then the value of the consideration is reduced by the lower of: the contractual price for the expiry of the obligation or the value of the non-market element and is recognized as residual cost.

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.

Consolidation adjustments

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:

	31.12.2020	*31.12.2019*
EUR	4,6148	4,2585

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

The depreciation rates applied to intangible assets are verified no later than at the end of the financial year. If there is a need to correct the applied depreciation rates - the adjustment is made in the following year and in subsequent financial years.

Not later than at the end of the financial year, intangible assets are also verified in terms of the existence of premises for impairment and the need to make revaluation write-offs due to impairment. These write-offs are charged to other operating costs not later than on the reporting date, ie in the period in which impairment was identified.

For the value of intangible assets with an indefinite useful life and goodwill, the Group performs an annual impairment test by comparing the carrying amount of a given component with its recoverable amount, regardless of whether there are any indications that such impairment may have occurred..

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 purchase price or production cost.

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

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

a) the purchase price, including import duties and non-deductible purchase taxes, less trade discounts and rebates;
b) all other directly identifiable costs incurred to bring the asset to a location and condition in which it can function as intended by management;
c) the estimated costs of dismantling and removing the asset, and the site renovation costs, to which the entity is obligated to acquire an item of property, plant and equipment or use an item of property, plant and equipment during the period for purposes other than manufacturing.

Subsequent 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 write-offs are made in relation to the value subject to depreciation, which is the purchase price or the cost of production of a given asset, less its residual value.

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 of tangible fixed assets is carried out using the straight-line method, from the month of acceptance for use. Depreciation is charged monthly.

In the event that a specific item of property, plant and equipment consists of separate and significant parts with different useful lives, these parts are treated as separate assets.

Profits or losses on the sale, liquidation or cessation of use of tangible fixed assets are defined as the difference between the sales revenue and the net value of these tangible fixed assets and are recognized in the profit and loss account..

Review of depreciation rates and possible impairment

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

No later than at the end of the financial year, tangible fixed assets are also verified in terms of the existence of premises for impairment and the possible need to write downs.
The element indicating the need to make an impairment loss is the recognition that an asset is highly probable that the asset will not bring the expected economic benefits in a significant part or in full in the future. Impairment occurs, for example, in the event of a decommissioning or recall of a component.
Revaluation write-offs should be made no later than on the reporting date (i.e. for the period in which impairment was found), and charged to other operating costs.

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 2.9.

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

At the time of entering into a contract, the Company assesses whether the contract is or includes a lease. A contract is a lease or contains a lease if it transfers the right to control the use of an identified asset for a given period in return for consideration.

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

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 Group 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.

Valuation of long-term receivables

At the end of the reporting period, long-term receivables are measured at amortized cost, using the effective interest rate, less any possible write-downs on these receivables.

2.14. LONG-TERM PREPAYMENTS

At each reporting date the analysis is made of long-term prepayments.
The assessment is made by the Group, taking into consideration the rational factors and the knowledge of the individual components of the prepayments.

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.

2.16. INVENTORIES

Inventories are assets:

- held for sale in the ordinary course of business,
- 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.
The purchase price comprises all purchase costs and other costs incurred in bringing the inventories to their present location and condition.
Inventory purchase costs include the purchase price, import duties and other taxes (other than those recoverable later by the Group from tax offices) as well as costs of transport, loading and unloading and other costs directly attributable to the goods.
When determining the purchase costs, discounts, trade rebates (bonuses from suppliers calculated from the turnover) and other similar items are deducted.
Outflows are determined using the weighted average method. Under the weighted average method, the cost of each item is calculated on the basis of the weighted average cost or cost of similar inventory items at the beginning of the period and the cost or cost of similar

inventory items purchased or produced during the period. The weighted average is converted when goods are received in the warehouse.

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 Group 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.

Offsetting financial assets and financial liabilities

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 derivative financial instruments to hedge its foreign exchange and interest rate risk. Embedded derivatives are separated from the host contract and reported separately if the economic and risk characteristics of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and a hybrid (combined) instrument would not be is measured at fair value through profit or loss.

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 based on reasonable criteria and knowledge about each prepayment.

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

- prepaid electricity and central heating,
- prepaid subscriptions, insurance,
- alcohol permissions,
- property tax,
- prepayments for other services (e.g. telecommunications).

2.22. 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").

The Group assesses goodwill impairment by grouping cash-generating units so that the level of the organization, not higher than the separate operating segment on which this assessment is carried out, reflects the lowest level of the organization at which the Group monitors goodwill for internal purposes.

For the purposes of impairment tests, goodwill acquired in the process of business combination is allocated to those cash-generating units for which the synergy effects from the combination are expected to be obtained.

Joint assets do not generate separate cash inflows. If there is an indication of impairment of joint assets, then the recoverable amount is determined for those cash generating units to which joint assets belong.

An impairment loss is recognized when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account. Impairment of a cash-generating unit is first recognized as a decrease in the goodwill assigned to that unit (group of units), and then as a reduction in the carrying amount of the remaining assets of this 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.

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. At the time of sale or re-issue, the amounts received are recognized as an increase in capital, and the resulting surplus or shortfall in relation to this transaction is recognized as capital from the issue of shares above their nominal value (reserve capital).
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,
- 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 (excluding trade liabilities).

Short-term liabilities include mainly:
- loans and borrowings,
- finance liabilities due to lease,
- 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.

Profits and losses due to exchange rate differences are shown in the net amount as financial revenues or costs, depending on their total net position.

Government grants

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

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

2.30. 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 Group. 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 Group 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.

When assessing the uncertainty, the Group creates positions of tax liabilities / provisions, respectively.

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 Group 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 Group'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 31.12.2020

NOTE 1.

ACQUISITION OF SHARES IN THE SUBSIDIARIES

1. Purchase of the remaining 50% of shares in FHC2 sp. Z o.o. i Madas sp. Z o.o.

Pursuant to the sale option, as a result of a declaration on the exercise of the option, Eurocash S.A. and a non-controlling shareholder a conditional share purchase agreement for shares subject to a put option.
Transfer of shares covered by the put option to Eurocash S.A. took place on 9 June 2020.
Eurocash S.A. acquired 50% of the shares in each of the companies, therefore the Group holds 100% of shares in both companies as at the balance sheet date.
The purchase price was in total PLN 24,769,895 and it is its final value. The settlement of the transaction has been presented in equity.

2. Acquisition of the remaining 55,97% of shares in Frisco S.A.

General information

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

Settlement of business acquisition

These consolidated financial statements contain the final settlement of the purchase price of shares in Frisco S.A.
In the settlement of the purchase price, the net assets were accepted on the basis of the fair value, corrected with adjustments to the Eurocash Group's policy, the purchase price is the final price.
Measurement of the fair value of the existing 44.03% of shares in Frisco S.A. amounts to PLN 44,069,319. This value increased the goodwill and as a result was recognized once in the consolidated result, increasing the value of other operating income.
The purchase transaction took place on market conditions.

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

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

3. Acquisition of 100% of shares in Podlaskie Delikatesy Centrum Sp. z o.o. (previously 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
These consolidated financial statements present a final settlement of the acquisition price of Podlaskie Delikatesy Centrum Sp. z o.o. (MD Projekt Sp. z o.o.).
The net assets were adopted on the basis of their fair value, the purchase price is the final price.

The acquisition took place on market conditions.

NOTE 2.
SALE OF SHARES IN SUSHI 2 GO SP. Z O.O. BY EUROCASH FOOD SP. Z O.O.

On 30 October 2020, Eurocash Food Sp. z o.o. concluded an agreement for the sale of shares in Sushi 2 Go Sp. z o.o.

THE RESULT ON THE SALE OF THE SUBSIDIARY SUSHI 2 GO SP. Z O.O. WAS INSIGNIFICANT FROM THE GROUP'S POINT OF VIEW.

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 Groszek, Lewiatan, Gama, Eurosklep, Abc 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 Cerville Investments Sp. z o.o., Ambra Sp. z o.o. and 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. w likwidacji, Investpol700 Eurocash Nieruchomości Sp. z o.o. sp.j., Eurocash Nieruchomości Sp. z o.o. (previously Koja-Invest Sp. z o.o.), Partner Sp. z o.o., Innowacyjna Platforma Handlu Sp. z o.o. (prevously Platforma Innowacji Handlu Sp. z o.o.), Delikatesy Centrum Podlasie Sp. z o.o., Podlaskie Delikatesy Centrum Sp. z o.o., as well as mark Delikatesy Centrum as part of sales to customers of this franchise system by Eurocash S.A. and Eurocash Franczyza Sp.z o.o. and developed by Eurocash Group 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: Kontigo Sp. z o.o, ABC na kołach Sp. z o.o., Duży Ben Sp. z o.o. In addition, the segment includes the activities of the subsidiary Frisco S.A. developing activities in the e-commerce sector.
- *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 2020 TO 31 DECEMBER 2020

	Wholesale	Retail	Projects	Other	Exclusions	Total
Sales	**20 668 664 853**	**8 527 530 615**	**312 156 188**	**6 423 874**	**(4 103 733 830)**	**25 411 041 701**
External sales of goods	18 892 611 800	6 091 102 788	300 410 788	-	-	25 284 125 375
Other external sales	42 518 178	76 306 527	7 967 913	123 707	-	126 916 326
Inter-segmental sales	1 733 534 875	2 360 121 299	3 777 487	6 300 168	(4 103 733 830)	-
Operating profit (loss)	**386 568 169**	**54 998 423**	**(66 598 189)**	**(124 539 318)**	**-**	**250 429 085**
Finance income						31 344 910
Finance costs						(174 406 232)
Share in losses of companies consolidated with the equity method						553 067
Profit (loss) before income tax						**107 920 830**
Income tax						(39 847 221)
Net profit (loss)						**68 073 609**

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	**358 217 056**	**53 482 060**	**(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**

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 31.12.2020

	Goodwill	Patents and licences	Trademarks	Customer relations	Other intangible assets	**Total**
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**
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)	(7 799 505)	**(56 910 958)**
Other changes	-	1 251 742	-	-	556 745	**1 808 487**
Carrying amount as at 31.12.2019	**1 850 000 695**	**51 474 047**	**60 949 295**	**152 739 984**	**58 742 489**	**2 173 906 508**
Carrying amount as at 01.01.2020	**1 850 000 695**	**51 474 047**	**60 949 295**	**152 739 984**	**58 742 489**	**2 173 906 509**
Acquisition through business combination	195 033 111	4 079 379	18 430 000	-	135 658	**217 678 148**
Other acquisitions	-	17 074 078	11 502 760	-	35 918 580	**64 495 418**
Transfer of fixed assets under construction	-	38 724 703	914 266	-	(39 226 196)	**412 773**
Disposals	-	(35 649)	(1 000 000)	-	-	**(1 035 649)**
Liquidations	-	(1 226)	(378 404)	-	-	**(379 630)**
Amortisation	-	(31 772 086)	(10 510 378)	(12 500 000)	(4 432 304)	**(59 214 768)**
Other changes	-	(1 174 768)	-	-	36 752	**(1 138 016)**
Carrying amount as at 31.12.2020	**2 045 033 806**	**78 368 478**	**79 907 539**	**140 239 984**	**51 174 978**	**2 394 724 785**

As at 31.12.2019						
Cost	1 850 000 694	248 309 585	105 983 410	315 673 264	158 316 418	2 678 283 372
Accumulated amortisation	-	(196 835 538)	(45 034 114)	(162 933 280)	(99 573 931)	(504 376 863)
Carrying amount	**1 850 000 694**	**51 474 047**	**60 949 295**	**152 739 984**	**58 742 489**	**2 173 906 508**
As at 31.12.2020						
Cost	2 045 033 805	306 976 102	135 452 032	315 673 264	155 181 212	2 958 316 414
Accumulated amortisation	-	(228 607 624)	(55 544 492)	(175 433 280)	(104 006 235)	(563 591 630)
Carrying amount	**2 045 033 805**	**78 368 478**	**79 907 540**	**140 239 984**	**51 174 977**	**2 394 724 784**

Goodwill presented in the consolidated statement of financial position consists of the following items (chronological):

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,

t) goodwill on acquisition by Frisco S.A. in the amount of PLN 195.033.111 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) Group 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 31.12.2020

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	**Total**
Carrying amount as at 01.01.2019	**398 679 379**	**181 161 015**	**15 021 131**	**145 049 888**	**34 073 211**	**773 984 623**
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 31.12.2019	**381 187 834**	**199 027 449**	**19 956 663**	**140 309 445**	**25 716 538**	**766 197 929**
Carrying amount as at 01.01.2020	**381 187 834**	**199 027 449**	**19 956 663**	**140 309 445**	**25 716 538**	**766 197 929**
Acquisition through business combination	392 282	1 222 155	199 743	1 081 944	35 239	**2 931 365**
Other acquisitions	10 705 759	44 288 224	5 599 473	27 399 079	40 350 831	**128 343 366**
Changes due to the transfer of fixed assets under construction	33 178 596	6 890 752	-	7 191 221	(47 673 342)	**(412 772)**
Disposals	(8 064 185)	(839 778)	(965 316)	(453 295)	(81 926)	**(10 404 498)**
Liquidations	(3 730 057)	(735 419)	(88 076)	(1 921 237)	(692 362)	**(7 167 151)**
Depreciation	(42 611 009)	(59 511 706)	(9 370 083)	(42 741 784)	(465 817)	**(154 700 398)**
Other changes	-	217 170	141 381	107 672	(4 214 016)	**(3 747 793)**
Carrying amount as at 31.12.2020	**371 059 220**	**190 558 847**	**15 473 785**	**130 973 046**	**12 975 147**	**721 040 046**

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)	-	(1 093 302 073)
Carrying amount	**381 187 834**	**199 027 449**	**19 956 663**	**140 309 445**	**25 716 538**	**766 197 929**
As at 31.12.2020						
Cost	705 319 817	554 607 845	153 814 887	541 859 006	13 440 964	1 969 042 517
Accumulated amortisation	(334 260 596)	(364 048 997)	(138 341 101)	(410 885 961)	(465 817)	(1 248 002 472)
Carrying amount	**371 059 220**	**190 558 847**	**15 473 785**	**130 973 046**	**12 975 147**	**721 040 045**

NOTE 6.
RIGHT OF USE

RIGHT OF USE IN THE PERIOD FROM 01.01 TO 31.12.2020

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	**Total**
Carrying amount as at 01.01.2019	**1 663 099 714**	**10 069 210**	**140 391 787**	**4 312 048**	**1 817 872 758**
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 31.12.2019	**1 639 956 283**	**3 580 187**	**154 797 403**	**2 700 554**	**1 801 034 427**
Carrying amount as at 01.01.2020	**1 639 956 283**	**3 580 187**	**154 797 403**	**2 700 554**	**1 801 034 427**
Acquisition through business combination	30 940 704	22 321 614	10 498 046	931 050	**64 691 414**
Increases due to the new agreements	151 626 768	241 800	70 574 942	5 341	**222 448 851**
Changes in conditions of contracts	75 051 292	(202 579)	16 838 557	(128 952)	**91 558 319**
Decrease of contracts scope	(41 654 986)	(2 693)	(3 016 516)	(1 901)	**(44 676 096)**
Depreciation	(264 916 764)	(2 524 443)	(70 567 607)	(1 587 230)	**(339 596 043)**
Carrying amount as at 31.12.2020	**1 591 003 298**	**23 413 886**	**179 124 825**	**1 918 862**	**1 795 460 872**

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**	**2 700 554**	**1 801 034 427**
As at 31.12.2020					
Cost	2 113 850 052	27 921 712	319 747 338	5 211 503	2 466 730 605
Accumulated amortisation	(522 846 754)	(4 507 825)	(140 622 513)	(3 292 640)	(671 269 732)
Carrying amount	**1 591 003 298**	**23 413 886**	**179 124 825**	**1 918 863**	**1 795 460 873**

In 2020, the total outflow of cash under the lease amounted to PLN 387,298,185.

The value of interest paid on contracts covered by IFRS16 amounted in 2020: PLN 67.224.937 (2019: PLN 66.413.259).

Excluded from recognition in the balance sheet are short-term and low-value lease contracts, the total amount of which in 2020 was approximately PLN 7.9 million. In this category, the Group includes the lease of, inter alia, cars, trolleys, containers.

Renegotiations of rent agreements due to COVID-19 turned out to be irrelevant.

NOTE 7.
ANALYSIS OF INDICATIONS OF POTENTIAL IMPAIRMENT OF ASSETS

The Group conducted impairment tests for trademarks with an indefinite useful life and goodwill.

As at 31.12.2020, 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 and trademarks 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 2021-2025 and the residual value after the detailed forecast period. To determine selected projection parameters, historical data for 2020 and approved by the Management Board of Eurocash S.A. were used. plans for 2021-2025.

Retail segment goodwill impairment test

The recoverable amount of the Retail segment assets was determined based on the cash flow projections developed, inter alia, by with the following assumptions:

▪ model for determining the recoverable amount based on the existing infrastructure and sales network (value in use), including central distribution of goods and sales to own and franchise stores,

▪ a 5-year detailed forecast period was adopted,

▪ the calculation of cash flow projections takes into account the recognition of lease agreements in accordance with IFRS16,

▪ the cash flow forecast takes into account no deterioration of the epidemiological situation as compared to the situation as at the date of approval of these financial statements,

▪ replacement capital expenditure in subsequent years has been agreed with the approved investment budgets, including planned outlays for store remodeling; in the residual period, the maintenance of a constant level of fixed assets was assumed,

▪ in the period covered by the detailed analysis, an average annual increase in sales of 6.7% was assumed based on the undertaken development activities and plans of the Management Board as well as external analyzes of the development of the retail sales market, while in the residual period a growth rate of 2.5% was assumed. The Management Board prepared plans to increase sales and results of the current structure of the retail network based on sales development plans in the currently existing locations, both own stores and franchise outlets, based on forecasts related to, inter alia, with planned activities aimed at optimizing the results of this sales channel,

▪ in the horizon of the detailed forecast, an increase in the gross margin by 0.5 pp was assumed. compared to the level achieved in 2020,

▪ the level of working capital was forecast on the basis of historical inventory turnover ratios, trade receivables and trade liabilities.

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

As a result of the analysis, it was confirmed that there is no need to write down the assets. The tested goodwill of the Retail segment was PLN 856 million (carrying amount of grouped assets: PLN 2,115 million, including use assets recognized in accordance with IFRS16). The excess of the recoverable amount over the book value was determined by the Management Board at PLN 618 million.

For the Retail segment, the deviation of the discount rate by +/- 0.25 pp. would result in a decrease / increase by about PLN 100 million. Increase / decrease of the discount rate by 0.25 pp. as well as reduction / increase in margin by 0.25 pp. it does not lead to impairment of the cash-generating unit to which goodwill is assigned.

Reducing the gross margin in the forecast horizon by 2 % in terms of value in the forecast period, with the remaining parameters of the model unchanged, would result in the equalization of the book value of the assets of the cash-generating unit with the recoverable amount.
Reducing the average growth rate over the period of the detailed forecast by approximately 0.8 pp. would also equal the recoverable amount and the book value.

The Management Board also prepared plans to increase sales and results of the current structure of the retail network based on sales development plans in the existing locations, both own stores and franchise outlets, based on forecasts related to, inter alia, with planned activities aimed at optimizing the results of this sales channel. The estimated value of the sum of discounted cash flows showed a surplus over the book value of assets.

Wholesale segment goodwill impairment test

The model for estimating the recoverable amount includes 5-year detailed cash flow projections based on long-term plans to develop and increase sales within the existing distribution networks, in which period it was assumed, inter alia, average annual sales increase by 5% and a constant level of margin from 2021.
The test assumes stabilization of flows, the discount rate used in cash flows is consistent with the weighted average cost of capital (WACC), calculated on the basis of the risk-free rate.
Other elements used in the calculation, such as the market risk premium, beta factor and capital structure are based on market data, adequate for the industry in which Eurocash operates - with regard to wholesale activities.
The weighted average cost of capital was adopted as the discount rate - WACC 6.69 % (WACC 6.69% in 2019).
The assumed growth rate in the residual period was 2.5%.

The tested value of assets in the amount of PLN 1,552 million (corrected with trade liabilities) includes goodwill in the amount of PLN 1,114 million and assets due to the right of use in the amount of PLN 751 million.
In the opinion of the Company, no rational change of the key assumptions adopted to measure the recoverable amount of individual cash-generating units will not cause the carrying amounts of these units to exceed their recoverable amounts.

Asset impairment tests (including goodwill) in the Projects segment and others

For cash-generating units at the level of individual companies included in this segment, an analysis of premises for impairment of assets was performed and appropriate estimates of the recoverable amount in the event of premises for impairment and for the centers to which goodwill was allocated were made.

For the subsidiary Frisco SA. which is a separate center generating cash flows, goodwill was established at the level of PLN 195 million, it is the center's main asset and was tested. The recoverable amount of the center's assets was determined based on the estimated fair value of the assets, based on available market analyzes, including those based on multiple valuations such as EV / Sales. Based on the analyzes, no impairment of assets was found.

NOTE 8.
INVESTMENT PROPERTIES

Investment properties are presented below:

INVESTMENT PROPERTY AS AT 31.12.2020

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

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 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Opening balance	**24 619 456**	**27 533 591**
Increase in reporting period:	**7 180 227**	**2 206 269**
Acquisition of shares	6 627 160	2 206 269
Interest in profit	553 067	-
Decrease in reporting period:	**(18 706 433)**	**(5 120 404)**
Sale of the associate	(18 706 433)	-
Interest in losses	-	(5 120 404)
Closing balance	**13 093 250**	**24 619 456**

In June 2020, the Company purchased the remaining shares in Frisco S.A. From this period, the Group is consolidating Frisco S.A. with the full method.

NOTE 10.
OTHER LONG-TERM INVESTMENTS

Other investments are presented below:

OTHER LONG-TERM INVESTMENTS AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Shares in other entities	524 990	436 491
Other long-term financial assets	100	6 628 000
	525 090	**7 064 491**

NOTE 11.
LONG-TERM RECEIVABLES

Long-term receivables are presented below:

LONG-TERM RECEIVABLES AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Security deposits on rental agreements	4 641 418	9 588 280
Other long-term receivables	2 350 000	4 736 393
	6 991 418	**14 324 673**

NOTE 12.
OTHER LONG-TERM PREPAYMENTS

Other long-term prepayments are presented below.

OTHER LONG-TERM PREPAYMENTS AS AT 31.12.2020	as at 31.12.2020	as at 31.12.2019
Insurance	400 000	550 000
Alcohol licences	6 600 332	1 928
Rental of premises - premium	-	277 951
Commissions	1 708 356	-
Other prepayments	986 817	784 911
	9 695 505	**1 614 790**

NOTE 13.
INVENTORIES

Inventories are presented below:

INVENTORIES AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Merchandise	1 362 753 598	1 269 439 984
Materials	255 918	1 833 101
Total inventories, including:	**1 363 009 516**	**1 271 273 085**
- nominal value of inventory deposits securing payments of liabilities	278 000 000	278 000 000

ALLOWANCE FOR INVENTORIES IN THE PERIOD FROM 01.01 TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Opening balance	**41 181 752**	**35 609 883**
- increase in the allowance during the period *	-	5 571 869
- write-offs during the period *	(18 519 646)	-
Closing balance	**22 662 106**	**41 181 752**

** net value*

NOTE 14.
TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables are presented below:

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Trade receivables	**1 309 239 675**	**1 404 893 545**
Receivables from clients	752 730 164	783 654 145
Receivables from suppliers	529 326 252	548 888 576
Receivables from franchisees *	16 424 543	20 302 879
Franchise fees	12 777 495	16 006 042
Other trade receivables	66 547 798	94 921 230
Allowance for trade receivables	(68 566 577)	(58 879 327)
Current tax assets	**28 735 480**	**808 002**
Other receivables	**121 646 500**	**111 963 366**
VAT settlements	75 833 701	91 914 734
Receivables subject to legal proceedings	96 661 017	102 064 367
Allowance for other bad debts	(95 447 480)	(100 600 136)
Receivables from employees	567 982	2 205 057
Insurance claims receivables	800 765	458 602
Receivables from sales fixed assets	531 448	1 603 541
Security deposits on rental agreements	9 586 442	-
Receivables due to payments by card	13 152 290	3 068 931
Other receivables (irrelevant individually)	19 960 334	11 248 271
Total receivables, including:	**1 459 621 655**	**1 517 664 914**
- short-term	1 459 621 655	1 517 664 914

* 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 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Loans granted	-	2 166 217
Other short-term investments	310 325	767 287
Total other short-term investments	**310 325**	**2 933 505**

NOTE 16.
SHORT-TERM PREPAYMENTS

Short-term prepayments are presented below.

SHORT-TERM PREPAYMENTS AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Alcohol licences	7 913 652	8 303 017
Rentals	7 505 215	2 141 521
Media	7 566	46 662
Advertising folders	14 454	-
Insurances	5 935 425	5 969 141
Tolls, vignette	25 221	-
Advisory services	-	10 333 939
Lease of commercial premises	2 786 943	1 511 200
Expenses related to future transactions	738 806	-
Commissions	3 027 432	-
Software and licenses	1 928 208	653 998
Other short-term prepayments	7 819 515	4 898 415
Total	**37 702 436**	**33 857 892**

NOTE 17.
CASH AND CASH EQUIVALENS

Cash and cash equivalents are presented below:

CASH AND CASH EQUIVALENTS AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Cash at bank	42 205 576	43 528 326
Cash on hand	8 040 255	13 694 919
Cash in transit	39 903 176	69 132 146
Cash on short-term deposits	14 730 911	12 013 607
Cash restricted to use	12 492 566	7 764 586
Others	119 323	536 276
Total cash	**117 491 807**	**146 669 860**

Cash on VAT accounts as at 31.12.2020 amounted to 12.492.566 PLN (as at 31.12.2019 amounted to 7.764.586 PLN).
Restrictions on the disposal of cash in VAT accounts do not affect the classification as "cash and equivalents".

NOTE 18.
SHARE CAPITAL

Share capital is presented below:

SHARE CAPITAL AS AT 31.12.2020

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

As at 31 December 2020, share capital consisted of 139.163.286 ordinary shares, including:
- 127.742.000 A series ordinary 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

	31.12.2020				31.12.2019			
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%

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 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Share capital at the beginning of the period	**139 163 286**	**139 163 286**
Increase of share capital in the period	**-**	**-**
Incentive programs for employees	-	-
Share capital at the end of the period	**139 163 286**	**139 163 286**

Capital on valuation of hedging transactions

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

NOTE 19.
SHARE OPTIONS

Treasury share options are presented below:

OPTIONS FOR SHARES IN THE PERIOD FROM 01.01 TO 31.12.2020

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

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

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

The program was terminated and no options were granted.

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

NOTE 20.
PROVISIONS AND ACCRUALS

Provisions and accruals are presented below:

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01 TO 31.12.2020

	Employee benefits	Accrual for costs of transport	Accrual for advertising costs	Accruals for agency wholesalers commission
Provisions and accruals as at 01.01.2019	**116 917 365**	**7 064 513**	**42 730 020**	**78 223**
Increase due to joining of subsidary	1 511 544	-	-	-
Increases*	44 139 505	5 143 436	-	-
Decreases*	(7 503 909)	-	(26 907 384)	(12 573)
Provisions and accruals as at 31.12.2019, including:	**155 064 505**	**12 207 949**	**15 822 635**	**65 650**
- short-term	147 720 291	12 207 949	15 822 635	65 650
- long-term	7 344 214	-	-	-
Provisions and accruals as at 01.01.2020	**155 064 505**	**12 207 949**	**15 822 635**	**65 650**
Increase due to acquisition	1 772 576	129 458	402 221	-
Increases*	29 881 975	-	2 542 934	-
Decreases*	(8 399 703)	(954 155)	-	(65 650)
Provisions and accruals as at 31.12.2020, including:	**178 319 353**	**11 383 252**	**18 767 790**	**0**
- short-term	166 532 059	11 383 252	18 767 790	0
- long-term	11 787 295	-	-	-

** net value*

	Provision for interests	Accrual for costs of media	Other	**Total**
Provisions and accruals as at 1 January 2019	**15 013 812**	**9 381 823**	**155 675 427**	**346 861 182**
Increase due to joining of subsidary	-	-	-	1 511 544
Increases*	-	5 511 483	-	54 794 424
Decreases*	(702 971)	-	(298 593)	(35 425 431)
Provisions and accruals as at 31 December 2019, including:	**14 310 841**	**14 893 306**	**155 376 834**	**367 741 720**
- short-term	14 310 841	14 893 306	153 396 834	358 417 506
- long-term	-	-	1 980 000	9 324 214
Provisions and accruals as at 1 January 2020	**14 310 841**	**14 893 306**	**155 376 834**	**367 741 720**
Increase due to acquisition	-	162 261	5 082 708	7 549 224
Increases*	3 953 776	6 515 616	33 042 163	75 936 464
Decreases*	-	-	-	(9 419 508)
Provisions and accruals as at 31 December 2020, including:	**18 264 617**	**21 571 182**	**193 501 704**	**441 807 899**
- short-term	18 264 617	21 571 182	190 139 785	426 658 686
- long-term	-	-	3 361 919	15 149 214

** net value*

PROVISIONS AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Employee benefits	11 787 295	7 344 214
Current employee benefits	166 532 059	147 720 291
Accrual for advertising costs	18 767 790	15 822 635
Accrual for intrests	18 264 617	14 310 841
Accrual for costs of media	21 571 182	14 893 306
Accrual for advisory and audit	2 479 274	2 542 815
Accrual for costs of transport	11 383 252	12 207 949
Accrual for rental costs	14 744 846	7 821 871
Accrual for agent's commisions	-	65 650
Accural for IT modernist works	1 784 321	1 502 765
Accrual for bonuses	8 855 599	11 592 207
Accrual for concessions	2 528 459	3 315 380
Expired items, court cases, potential disputes and receivables canceled	32 447 438	4 034 965
Other provisions and accruals	130 661 767	124 566 832
Total, including:	**441 807 900**	**367 741 720**
- long-term	15 149 214	9 324 214
- short-term	426 658 686	358 417 506

Provisions and liabilities for employee benefits
Provisions and liabilities for employee benefits include provision for retirement benefits 10.141.602 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 1.3%, 2.7% 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 2020.

Provision for interest
Provision applies to the estimated costs associated with unpaid liabilities for which contractual dates passed as at 31 December 2020.
It is expected that the reserve will be completed within 12 months from 31 December 2020.

NOTE 21.
TRADE AND OTHER PAYABLES

Trade and other payables are presented below:

TRADE AND OTHER PAYABLES AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Trade payables	**3 701 260 628**	**3 794 789 276**
Payables due to purchase of goods	3 406 647 917	3 560 047 106
Payables due to services received	230 702 093	191 555 676
Payables due to reversal of remuneration	63 910 618	43 186 494
Current tax liabilities	**11 793 488**	**49 233 587**
Other payables	**174 843 397**	**195 429 702**
VAT settlements	15 151 001	19 756 406
Liabilities due to purchases of assets	19 330 716	14 357 954
Liabilities due to social securities	56 632 100	61 028 147
Liabilities due to taxes and insurances	18 466 813	14 210 557
Liabilities from deposit	831 685	4 607 957
Option for purchase/selling the shares	49 561 267	69 761 777
Other payables	14 869 815	11 706 903
Total payables, including:	**3 887 897 513**	**4 039 452 566**
- long-term	3 651 826	4 132 977
- short-term	3 884 245 687	4 035 319 588

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 2020, the value of balances covered by the vendor financing program in the amount of PLN 1.795.600.865 was included, while as at 31 December 2019, the respective balance amounted to PLN 1.806.000.577.

Pursuant to the put option, as a result of submitting a statement on exercising the option, Eurocash S.A. and a non-controlling shareholder a conditional share purchase agreement for shares subject to a put option. Transfer of shares covered by the put option to Eurocash S.A. took place on 9 June 2020.
Eurocash S.A. acquired 50% of shares in each of the companies, therefore, as at the balance sheet date, the Group holds 100% of shares in both companies.

NOTE 22.
LOANS AND BORROWINGS

As at 31 December 2020, the Group has credit lines in the total amount of PLN 1,251.75 million, provided by 9 banks (part of the syndicate). These limits were used as at the balance sheet date in the amount of PLN 690.9 million. Detailed information on credits and loans is presented in the table below.

LOANS AND CREDITS AS AT 31 DECEMBER 2020

Credits	Credit destination	Liability amount	Interest rate
Bank 1	Loan for financing current activity	34 953 271	WIBOR + bank's margin
Bank 2	Loan for financing current activity	9 911 275	WIBOR + bank's margin
Bank 3	Overdraft for financing of current activities	412 926	WIBOR + bank's margin
Bank 4	Overdraft for financing of current activities	8 680 723	WIBOR + bank's margin
Bank 5	Overdraft for financing of current activities	27 514 302	WIBOR + bank's margin
Bank 6	Overdraft for financing of current activities	49 423 271	WIBOR + bank's margin
Bank 7	Overdraft for financing of current activities	12 100 931	WIBOR + bank's margin
Bank 8	Overdraft for financing of current activities	181 659	WIBOR + bank's margin
Bank 9	Overdraft for financing of current activities	222 750 000	WIBOR + bank's margin
Bank 10	Overdraft for financing of current activities	75 000 000	WIBOR + bank's margin
Bank 11	Overdraft for financing of current activities	250 000 000	WIBOR + bank's margin
Total loans and credits		**690 928 358**	
- long-term		463 869 947	
- short-term		227 058 411	

The value of credit cost amounted to PLN 16.921.739 in 2020.

LOANS AND CREDITS AS AT 31 DECEMBER 2019

Credits	Credit destination	Liability amount	Interest rate
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	Loan for financing current activity	8 452 087	WIBOR + bank's margin
Bank 4	Loan for financing current activity	70 398 299	WIBOR + bank's margin
Bank 5	Loan for financing current activity	43 919 199	WIBOR + bank's margin
Bank 6	Loan for financing current activity	4 912 029	WIBOR + bank's margin
Bank 7	Loan for financing current activity	108 045 553	WIBOR + bank's margin
Bank 8	Loan for financing current activity	400 000 000	WIBOR + bank's margin
Total loans and credits		**648 790 562**	
- short-term		648 790 562	

The value of credit's cost amounted to PLN 20.878.779 in 2019.

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 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Liabilities arising from the issue of bonds	125 000 000	-
Liabilities related to financing of franchisees *	16 424 543	20 302 879
Valuation of hedging instruments	21 098 152	866 531
Financial liabilities total, including:	**162 522 695**	**21 169 410**
- long-term	130 683 208	70 671
- short-term	31 839 487	21 098 739

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

More information on the issue of bonds is presented in pt 1.8.

Basic bond issue conditions are presented in the table below.

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

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

NOTE 24.
LEASE LIABILITIES

Income tax for the reporting period is presented below:

	as at 31.12.2020	as at 31.12.2019	as at 31.12.2020	as at 31.12.2019
Future minimum lease payments due to lease agreements	minimum fees	present value of minimum lease payments	minimum fees	present value of minimum lease payments
Less than one year	362 390 646	355 921 916	357 008 678	297 625 202
Between one and five years	1 043 012 611	952 511 548	968 911 054	817 183 932
More than five years	792 401 851	571 357 690	834 191 389	709 837 363
Total future minimum lease payments due to llease agreements	**2 197 805 107**	**1 879 791 154**	**2 160 111 121**	**1 824 646 498**
Finance costs	318 013 953	X	335 464 623	X
Present value of minimum lease payments due to lease agreements	**1 879 791 154**	**1 879 791 154**	**1 824 646 498**	**1 824 646 498**

Lease liabilities include all contracts that are covered by or contracted by the lease in accordance with International Financial Reporting Standard 16 Leases ("IFRS 16").

NOTE 25.
INCOME TAX

Income tax for the reporting period is presented below:

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

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Income statement		
Current income tax	(81 599 272)	(92 883 167)
Deferred tax	41 752 051	58 585 944
Total income tax	**(39 847 221)**	**(34 297 223)**

TAX RECONCILIATION FOR THE PERIOD FROM 01.01 TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Profit before tax	**107 920 830**	**113 422 816**
Income tax calculated base on 19% income tax rate	(20 665 419)	(21 701 482)
Negative temporary differences, for which the deferred tax asset was recognized in current year	(24 556 771)	(9 407 210)
Adjustment of current tax of previous years	(352 760)	(57 970)
Other differences, including PFRON	5 727 728	(3 130 561)
Income tax in income statement	**(39 847 221)**	**(34 297 223)**
Effective tax rate	36,92%	30,24%

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 Group 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 Group 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 Group appealed against this decision. It mentions a number of arguments for the correctness of the tax settlements made by the Group, 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 Group has no confirmation for creating of any provisions due to these interpretations.

On 28 February 2018, the Head of the Customs and Revenue Office for Wielkopolska Region in Poznań initiated an audit of corporate income tax for 2016. As at 12 March 2020, the audit was not completed.

On 17 December 2019, the Head of the Customs and Revenue Office for Wielkopolska Region in Poznań initiated a customs and tax audit in the area of corporate income tax for 2014 and 2015. As at 10 March 2021, the above-mentioned controls were not completed.

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

THE DAMAGE SUFFERED BY THE GROUP 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, as security paid a deposit in the amount of PLN 95,746,902 for possible arrears.

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

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

As at the balance sheet date, the Company included the amount of PLN 43,479,521 against the Company's current tax liabilities, from the pool of the previously paid security for the payment of any VAT liability (the current security for any arrears is PLN 52,267,381).

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

NOTE 26.
DEFFERED TAX

Deferred tax is presented below:

DEFERRED TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2020

	Statement of financial position		Income statement		Statement of other comprehensive income		Due to the acquisition of the subsidiary	
	as at 31.12.2020	as at 31.12.2019	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Deferred tax liabilities								
- difference between tax and carrying amount of fixed assets	38 684 747	41 261 073	(2 576 326)	(9 244 307)	-	-	-	-
- not invoiced income	58 428 374	57 670 422	757 952	4 553 127	-	-	-	-
- revenues from accrued interests	1 325 493	1 390 101	(64 608)	(58 254)	-	-	-	-
- lease liabilities	448 403	759 535	(311 132)	(3 838 607)	-	-	-	-
- income from contractual penalties unpaid	1 304 785	1 290 961	13 824	13 446	-	-	-	-
- recognition of a trademark due to the acquisition of shares	3 501 700	-	-	-	-	-	3 501 700	-
- other	6 497 146	5 859 326	637 820	3 087 189	-	-	-	-
Gross deferred tax liabilities	**110 190 647**	**108 231 417**	**(1 542 470)**	**(5 487 406)**	**-**	**-**	**3 501 700**	**-**

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2020 (continued)

	Statement of financial position		Income statement		Statement of other comprehensive income			
	as at 31.12.2020	as at 31.12.2019	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Deferred tax assets		-						
- bonuses	4 770 547	2 589 212	(2 181 334)	4 679 783	-	-	-	-
- allowance for inventories	6 353 013	4 702 298	(1 650 714)	(215 177)	-	-	-	-
- allowance for bad debts	22 531 719	23 838 330	1 306 611	(525 673)	-	-	-	-
- Impairment loss of fixed assets	-	2 763 472	2 763 472	(2 060 401)	-	-	-	-
- tax losses from prior years	17 791 537	-	(17 791 537)	47 864 852	-	-	-	-
- holiday accrual	4 241 786	6 962 357	2 720 571	(413 510)	-	-	-	-
- accrual for employees' bonuses	1 556 530	6 451 525	4 894 996	(3 100 102)	-	-	-	-
- unpaid payroll and social securities	5 952 847	5 746 123	(206 724)	(1 063 055)	-	-	-	-
- provision for retirement benefits, disability benefits, death benefits	8 283 588	1 361 058	(6 922 529)	(225 720)	-	-	-	-
- provisions for legal disputes	-	662 677	662 677	168 920	-	-	-	-
- accruals	26 198 656	14 871 020	(11 327 636)	12 881 213	-	-	-	-
- lease liabilities	(9 755)	158 336	168 090	272	-	-	-	-

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2020 (continued)

	Statement of financial position		Income statement		Statement of other comprehensive income			
	as at	as at	for the period	for the period	for the period	for the period	for the period	for the period
	31.12.2020	31.12.2019	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Deferred tax assets								
- accrued interest on trade payables	28 030	1 502 324	1 474 294	(1 191 496)	-	-	-	-
- diference between right of use and lease liabilities	16 195 145	5 049 350	(11 145 795)	(5 049 350)	-	-	-	-
- asset for the cost of intangible services	9 656 334	10 170 838	514 504	(10 170 838)	-	-	-	-
- asset for future tax benefits	52 470 066	65 587 583	13 117 517	(65 587 583)	-	-	-	-
- other accruals	74 677 990	58 071 946	(16 606 044)	(29 090 673)	-	-	-	-
- valuation of hedging instruments	4 688 960	840 000	-	-	(3 848 960)	-	-	-
Gross deferred tax assets	**255 386 993**	**211 328 451**	**(40 209 582)**	**(53 098 539)**	**(3 848 960)**	**-**	**-**	**-**
Allowance of deferred tax asset	-	-	-	-	-	-		
Deferred tax assets	**255 386 993**	**211 328 451**	**(40 209 582)**	**(53 098 539)**	**(3 848 960)**	**-**	**-**	**-**
Deferred income tax effect			**(41 752 051)**	**(58 585 944)**	**(3 848 960)**	**-**	**3 501 700**	**-**
Net deferred tax liabilities	**-**	**19 806 994**	**X**	**X**	**X**	**X**	**X**	**X**
Net deferred tax assets	**145 196 345**	**122 904 027**	**X**	**X**	**X**	**X**	**X**	**X**

NOTE 27.
SALES IN THE REPORTING PERIOD

Sales are presented below:

SALE IN THE PERIOD FROM 01.01 TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Sale of goods	25 284 125 375	24 719 807 498
Sale of services	118 050 050	127 140 587
Sales of materials	8 866 276	5 292 611
Total sale	**25 411 041 701**	**24 852 240 696**

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 logistic services.

NOTE 28.
COSTS BY TYPE

Costs by type are presented below:

COSTS BY TYPE IN THE PERIOD FROM 01.01 TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Depretiation	553 511 209	549 556 884
Materials and energy	211 648 036	203 924 088
External services	765 036 747	707 678 470
Taxes and charges	58 723 454	58 737 890
Salaries	1 236 972 976	1 193 105 985
Social security and other benefits	239 838 308	225 695 140
Other costs by type	99 173 067	89 943 804
Costs by type	**3 164 903 797**	**3 028 642 261**
including:		
Cost of goods sold	2 740 733 634	2 614 213 628
General and administrative expenses	424 170 163	414 428 632

NOTE 29.
OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are presented below:

OTHER OPERATING INCOME AND EXPENCES 01.01 TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Other operating income	**147 445 580**	**87 034 992**
Penalties for suppliers	5 876 528	11 199 421
Other sales	8 319 365	8 343 070
Sub-lease of premises	3 585 184	5 156 111
Profit on sales of fixed assets	1 939 481	2 334 197
Compensation received	446 661	2 077 768
Revenus from transport services	313 820	343 180
Reversal of allowance for bad debts	6 948 754	6 772 849
Reversal of allowance for inventories	-	1 191 600
Expired litigations and payables	228 935	-
Car rentals	0	138 692
Bonus due to trade agreement	-	22 741 012
Donation received	369 226	2 544 827
Valuation of Frisco S.A. shares for the settlement of the acquisition	44 069 319	-
Settlement of vat deposit	43 479 521	-
Other (irrelevant individually)	31 868 786	24 192 265
Other operating expenses	**(98 663 534)**	**(56 845 522)**
Loss from disposals of property, plant and equipment	(3 546 080)	(4 211 115)
Impairment loss on trade receivables and other financial assets	(7 570 410)	(2 315 707)
Expansion	-	(2 500 000)
Paid penalties	(799 146)	(3 980 410)
Compensations	(1 181 918)	(1 243 068)
Donations	(2 387 243)	-
Expired items, court cases, potential disputes and receivables canceled	(36 273 675)	(6 657 351)
Allowance for fixed assets	(6 389 696)	-
Costs related to payment card commissions	(5 600 913)	(3 745 908)
Advisory services	(5 000 000)	-
Other (irrelevant individually)	(29 914 454)	(32 191 962)
Other net operating income / expenses	**48 782 046**	**30 189 470**

NOTE 30.
FINANCE INCOME AND COSTS

Finance income and costs are presented below:

FINANCE INCOME AND COSTS IN THE PERIOD FROM 01.01 TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Finance income	**31 344 910**	**36 307 202**
Revenues from discounts	11 256 274	9 070 281
Interest	7 881 994	8 163 834
Foreign exchange gains	-	19 504
Foreign exchange gains IFRS 16	-	3 672 456
Dividends	234 921	708 278
Revenues from the sale of short-term investments	-	120 001
Other financial income (irrelevant individually)	11 971 721	14 552 848
Finance costs	**(174 406 232)**	**(162 286 198)**
Interest	(62 663 251)	(85 883 916)
Interest IFRS 16	(67 169 465)	(66 413 259)
Bank fees	(7 150 326)	(5 218 991)
Foreign exchange losses	(1 304 906)	(618 083)
Foreign exchange losses IFRS 16	(32 695 061)	-
Other financial expenses (irrelevant individually)	(3 423 223)	(4 151 949)
Net finance expenses	**(143 061 322)**	**(125 978 996)**

NOTE 31.
EARNINGS PER SHARE

Earnings per share are presented below:

EARNINGS PER SHARE FOR THE PERIOD FROM 01.01 TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Earnings		
Profit (loss) for the period attributable to the Owners of the Company	61 809 736	69 862 037
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	0,44	0,50
- diluted	0,44	0,50

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.
BOOK VALUE PER SHARE

BOOK VALUE PER SHARE

	as at 31.12.2020	as at 31.12.2019
Equity attributable to Owners of the Company	**935 121 774**	**896 981 814**
Number of shares	139 163 286	139 163 286
Diluted number of shares	139 163 286	141 963 286
Book value per share	**6,72**	**6,45**
Diluted book value per share	**6,72**	**6,32**

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

NOTE 33.
REMUNERATION AND OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

Remuneration of the Members of the Management Board from 01.01 to 31.12.2020	Basic salary	Other benefits	Managerial optoins	Total
Remuneration of the Members of the Management Board				
Luis Amaral	332 000	17 357	-	349 357
Rui Amaral	2 280 000	1 287 600	-	3 567 600
Arnaldo Guerreiro	900 000	928 943	-	1 828 943
Pedro Martinho	300 000	927 153	-	1 227 153
Katarzyna Kopaczewska	900 000	917 357	-	1 817 357
Jacek Owczarek	960 000	943 777	-	1 903 777
Przemysław Ciaś	720 000	732 438	-	1 452 438
Noel Colett	960 000	766 958	-	1 726 958
	7 352 000	**6 521 583**	**-**	**13 873 583**
Remuneration of the Members of the Supervisory Board				
Jorge Mora	225 610	-	-	225 610
Ewald Raben	181 443	-	-	181 443
Renato Arie	225 610	-	-	225 610
Francisco José Valente Hipólito dos Santos	225 610	-	-	225 610
Hans Joachim Körber	225 610	-		225 610
Przemysław Budkowski	44 167	-		44 167
	1 128 050	**-**	**-**	**1 128 050**

Remuneration of the Members of the Management Board 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	957 316	-	2 257 316
Arnaldo Guerreiro	855 000	318 836	-	1 173 836
Pedro Martinho	950 000	168 836	-	1 118 836
Katarzyna Kopaczewska	840 000	317 316	-	1 157 316
Jacek Owczarek	870 000	299 658	-	1 169 658
Przemysław Ciaś	675 001	271 501	-	946 501
	5 969 999	**2 350 780**	**-**	**8 320 779**
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**

NOTE 34.
EMPLOYMENT

Number of employees as at 31.12.2020 is presented below:

NUMBER OF EMPLOYEES AS AT 31.12.2020

	as at 31.12.2020	as at 31.12.2019
Number of employees	21 312	22 497
Number of full-time jobs	21 067	22 244

Employment structure as at 31.12.2020 is presented below:

EMPLOYMENT STRUCTURE AS AT 31.12.2020

	Wholesale discounts and distribution centres	Head office	Total
Number of employees	18 896	2 404	**21 300**
Number of full-time jobs	18 715	2 348	**21 063**

Data concerning employee turnover ratios as at 31.12.2020 is presented below:

EMPLOYEE TURNOVER IN THE PERIOD FROM 01.01 TO 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Number of hired employees	5 169	6 198
Number of hired employees - Acquisitions	109	904
Number of dismissed employees	(6 421)	(6 399)
Number of dismissed employees - Sale of subsidiares	(42)	(79)
	(1 185)	**624**

NOTE 35.
DATA OF ITEMS NOT INCLUDED IN THE FINANCIAL STATEMENTS

CONTINGENTIES AS AT 31.12.2020

	Beneficiary	Title	Currency	as at 31.12.2020	as at 31.12.2019
1.	Bank 1 *	Surety for the obligations due to the "Franchise partners financing program" for the Franchisee Delkatesy Centrum	PLN	714 908	1 808 658
2.	Bank 2 *	Surety for the finance liabilities of Frisco S.A.	PLN	-	31 433 278
				714 908	**33 241 936**

* debt value as at balance sheet date

OTHER BANK GUARANTEES AS AT 31.12.2020

	The Issuer	Title	Currency	as at 31.12.2020	as at 31.12.2019
1	Bank 1	Security of payments to suppliers	PLN	134 577 500	129 372 000
2	Bank 2	Security of payments to suppliers*	PLN*	14 998 100	20 421 421
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	500 000
5	Bank 5	Security of rent liabilities	PLN	11 534 564	10 471 836
6	Bank 6	Security of rent liabilities*	PLN	41 038 435	37 514 875
7	Bank 7	Security of the liabilities of the promotion lottery	PLN	4 995 891	2 032 132
8	Bank 8	Security of liabilities due to proper realisation of the contract	PLN	8 875 182	-
				217 139 772	**200 932 363**

* Converted at an average rate of NBP as at 31 December 2020 1 EUR 4,6148 PLN; as at 31 December 2019 1 EUR 4,2585 PLN.

Other administrative proceedings

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

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

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

(ii) delays in the delivery of invoices by suppliers which, due to the invoice having to go through the approval, accounting and payment process, prevented timely payment.

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

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

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

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

NOTE 36.
COLLATERALS

SECURITY ON ASSETS AS AT 31.12.2020

Title	Secured property	as at 31.12.2020	as at 31.12.2019
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	100 000 000
Security on the credit line agreement *	Deposit on inventories Eurocash S.A.	88 000 000	88 000 000
Security on the consolidated loan *	Deposit on inventories Eurocash Serwis Sp. z o.o.	9 547 300	9 547 300
Security on the consolidated loan *	Deposit on inventories Eurocash Franczyza Sp. z o.o.	3 800 000	3 800 000
Security on the consolidated loan *	Deposit on shares in Ambra Sp. z o.o.	-	8 000 000
Security on the consolidated loan *	Mortgage on 13 properties	333 750 000	-
Financial leasing agreements (due to net value of fixed assets at the balance sheet date)	Ownership of fixed assets in leasing	26 465 142	704 874
		651 562 442	**300 052 174**

* Nominal value of the minimum security

NOTE 37.
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 31.12.2020	as at 31.12.2019
Receivable and loans	1 357 402 474	1 449 263 847
Cash and cash equivalents *	109 451 552	132 974 941
	1 466 854 026	**1 582 238 788**

* 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 & cary wholesalers and own stores, ie Delikatesy Centrum (including former Mila and Eko stores), Kontigo, Duży Ben and ABC on wheels, are characterized by a very high share of sales for cash. For the cash & carry business, this percentage is 95%, for own stores it is close to 100% (in any period not less than 95%), while cash sales in the entire Group constitute no less than 36%. Credit risk of this group of contractors is managed by the credit control and debt collection team, which is part of the Treasury Department. The same methods and computer systems are used in this process, and the same staff are involved as in the following processes regarding 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 Company constitutes about 74%. Past due, although they are an inseparable part of the business of the FMCG industry, they do not constitute only

7% of the total balance of receivables resulting from the sale of goods to the Company's customers. The level of losses resulting from the lack of payment for trade payables (including provisions for future losses) increased by insurance costs and collection of these receivables is historically at the lowest level and did not exceed 0.04% of the Company's sales value in 2020. 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 below 54 in 2020. 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 2020, it is not expected that any counterparty of a financial transaction might fail to meet its obligations.

The Group monitors the amount of overdue receivables on an ongoing basis, in justified cases claims and write-downs are made.

The Group writes off receivables in relation to expected credit losses which result directly from the risk of each client and are calculated on the basis of models that include, among others payment history, type of business, geolocation, evaluation of cooperation and financial data. In 2020, the analysis showed that the write-off calculated according to the expected loan loss model is highly correlated in value with the write-off made in accordance with the principle of significantly past due receivables.

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

The aging of trade receivables is presented in the table below

AGEING OF TRADE RECEIVABLES AND BAD DEBT ALLOWANCES AS AT 31.12.2020

	Trade receivables gross as at 31.12.2020	Trade receivables gross as at 31.12.2019
current	1 114 836 650	1 181 246 703
1-30 days	138 631 238	177 005 799
31-90 days	65 527 798	57 898 667
91-180 days	10 910 343	11 420 058
> 180 days	47 900 223	36 201 646
Ogółem	**1 377 806 252**	**1 463 772 872**

ALLOWANCE FOR BAD DEBTS AS AT 31.12.2020

	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Opening balance	58 879 328	61 691 885
Increases*	9 687 250	-
Decreases*	-	(2 812 557)
Closing balance	**68 566 577**	**58 879 328**

**net value*

b. Liquidity risk

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

The basis for effective liquidity risk management in the Eurocash S.A. is the internal cash flow forecasting model. The Company's liquidity management focuses on detailed analysis, planning and taking appropriate actions in three areas:

I. area covering investments in non-current assets and other long-term assets (e.g. acquisition of companies)

The investment horizon taken into account in these analyzes covers from one month to a maximum of 36 months. The Group prepares plans to cover the obligations arising from these plans with appropriate capital or amendments to financing agreements. 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 Group 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 Group uses a revolving loan in its financial policy, whose long-term nature allows it to be used for potential investments, whether in fixed assets or acquisitions of business entities similar or complementary to the current operations of the Eurocash Group. At the same time, as at 31 December 2020, the Group has facilities for organizing the issue of long-term bonds up to PLN 1 million thanks to the open issue program.

II. working capital

- As at 31 December 2020, there was a surplus of the Group's current liabilities over its current assets in the amount of PLN 1.9 billion, which is typical for the industry in which the Eurocash Group operates, where a significant part of sales is made on cash terms, inventories are minimized and overdue receivables (in accordance with the procedures for the processes described in the "credit risk" section above) and suppliers provide deferred payment terms
    - In order to finance liabilities to suppliers of goods, a trade credit is used (approx. 51% of the balance of trade liabilities) and financial instruments (approx. 49% of the balance of trade liabilities). The Group uses financial instruments that facilitate capital management for both the Company and the suppliers themselves. In particular, the balance of liabilities in the reverse factoring agreements as at 31 December 2020 amounted to PLN 1.74 billion. Trade liabilities covered by the reverse factoring agreements do not significantly change the terms of trade liabilities.

- The Group also has the option to discount receivables. The Group maintains receivables factoring programs, and their use as at 31 December 2020 does not exceed PLN 196.2 million.

In 2020, due to changes in the regulations on payment gridlocks (amendment to the Act of 8 March 2013 on Counteracting Excessive Delays in Commercial Transactions, introduced by the Act of July 19, 2019 Amending Certain Acts to Reduce Payment gridlocks (Dz. U. of 2019, item 1649)), corporate income tax and tax on goods and services in the scope of the so-called white list and split payment methods (amendments to the Act of March 11, 2004 on tax on goods and services introduced, inter alia, by the Act of April 12, 2019, amending the Act on tax on goods and services and certain other acts (Journal U. of 2019, item 1018) and the Act of August 9, 2019 amending the Act on tax on goods and services and certain other acts (Journal of Laws of 2019, item 1751) and the amendment to the Act of on February 15, 1992 on corporate income tax, introduced, inter alia, by the Act of April 12, 2019 amending the act on tax on goods and services and certain other acts (Journal of Laws of 2019, item 1018))), The Company made changes to contracts with suppliers in terms of payment terms and procedures governing the circulation of accounting documents and payment execution. The effect of these changes is the reduction of the working capital leverage.

III. financial debt

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

- IFRS16 balance sheet liability resulting from the valuation of logistics and commercial space lease agreements, included in the balance sheet item 'leasing liabilities' in the amount of PLN 1.854 million. 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:
  - a credit line in the form of a revolving loan up to PLN 600 million. As at 31.12.2020, the limit was used up to the amount of PLN 250 million. The revolving line is the main financial security of the Company and the Group in the event of unfavorable financial scenarios and the need to implement recovery plans.
  - flexible credit line with a limit of up to PLN 110 million granted to Eurocash Serwis Sp. z o.o. As at 31 December 2020, the limit was used up to PLN 49.4 million. The purpose of this loan is to separate a financing pool and to distribute financial costs between the Company and one of the most important entities in the Group, which is not 100% owned by the Capital Group.
  - an investment loan (EBRD) in the amount of PLN 225.75 million. As at December 31, 2020, the limit was fully used.
  - loans to realize the benefits of optimizing cash under cash pool programs. The total limit of these programs granted to the Group (2 programs in two local banks) is PLN 134 million. The utilization as at 31.12.2020 by the Group is PLN 62,5 million.
  - credit lines in current accounts. In order to optimize the costs of maintaining bank accounts, the Group maintains loans in several banks. The sum of the limits in these credit lines as at 31.12.2020 PLN 185 million, and their use is PLN 96,4 million.
  - liabilities to repay corporate bonds, the total value of which is included in the balance sheet item "Long-term financial liabilities". The issue program, launched in November 2020, allows for the issue of PLN 1,000,000,000 up to the total amount of all issues. The first issue took place in December 2020. As part of it, the Company issued PLN

125 million for a period of 5 years. The funds from this issue increased the pool of available credit lines, thus significantly reducing the risk of losing liquidity.

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

- • Other financial liabilities included in the balance sheet items are "franchisees financing liabilities" and "other financial liabilities" respectively, as well as off-balance sheet items related to contingent liabilities. The main components of these three groups of liabilities are three sets of contracts (some of them are shown in contingent liabilities):
  - factoring of Delikatesy Centrum franchisees, where the debt is the amount of the surety granted by the Company to a financial institution. The limit in this contract is PLN 40 million, while the use as at 31.12.2020 is PLN 16.4 million (liability recognized in the statement of financial position)
  - for sureties for the same franchisees under their financial agreements for the amount of PLN 0.7 million (included in contingent liabilities).

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

LIQUIDITY RISK

AS AT 31 DECEMBER 2020	Net book value	< 12 months	1-5 years	> 5 years
Financial lease liabilities	2 197 805 107	362 390 646	1 043 012 611	792 401 851
Liabilities due to financing of franchisees	16 424 543	16 424 543	-	-
Trade and other payables	3 785 854 112	3 782 202 286	3 651 826	-
Other finance liabilities	21 098 152	21 098 152	-	-
Loans and borrowings	690 928 358	227 058 411	463 869 947	-
The issuance of debt securities	125 000 000	-	125 000 000	-
	6 837 110 272	**4 409 174 037**	**1 635 534 384**	**792 401 851**

AS AT 31 DECEMBER 2019	Net book value	< 12 months	1-5 years	> 5 years
Finance lease liabilities	2 160 111 121	357 008 678	968 911 054	834 191 389
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	-	-
Short-term loans and credits	648 790 562	648 790 562	-	-
	6 725 294 960	**4 918 059 541**	**973 044 031**	**834 191 389**

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

AGING OF TRADE LIABILITIES AS AT 31.12.2020

	Trade liabilities gross as at 31.12.2020	Trade liabilities gross as at 31.12.2019
current	3 682 011 395	3 685 173 780
1-30 days	11 658 341	94 799 457
31-90 days	2 528 150	12 429 215
91-180 days	1 746 663	1 224 141
> 180 days	3 316 078	1 162 683
Ogółem	**3 701 260 628**	**3 794 789 276**

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

c. Market risk

Market risk is associated with changes in demand, supply and prices as well as other factors that will affect the 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 Group does not hedge the risk of changes in the prices of products, goods and raw materials traded by the Group.

d. Currency risk

The currency risk is not a significant threat to the Group's operations, as the vast majority of its settlements are carried out in the domestic currency, and only a small part concerns either the payment in the currency or the payment indexed to the exchange rates. The Group monitors the currency risk and makes decisions on potential collaterals. In order to manage the currency risk, the Group allows the use of derivative instruments. The Group's activities in this area are primarily aimed at minimizing the volatility of financial flows, but it is permissible to use hedge accounting so as to minimize the volatility of profits and losses for the current period.

The currency risk occurs in two purchasing processes. (1) In commercial activities, a small part of purchases of goods such as wines, spirits, meat or fruit and vegetables are most often made directly in foreign currencies. The Group applies the principle of natural hedging due to the full price flexibility of these products. Moreover, the negligible scale of these purchases justifies the omission of these amounts in the risk analyzes. (2) in operating activities, part of the rents for the lease of commercial, logistics and office space is regulated directly in EUR, it is already indexed to it. In this case, the volatility of the EUR / PLN exchange rate affects the level of the Group's costs. The table below presents the value of this exposure in terms of balance sheet (valuation of rental contracts exposed to the risk of exchange rate fluctuations) and in terms of cash flows over the next 12 months

Liabilities as at 31.12.2020 in PLN	**1 854 234 101**
Value PLN	
agreements in EUR	430 013 702
agreements in PLN	1 424 220 400
Agreement currency value	
agreements in EUR	93 181 438
agreements in PLN	1 424 220 400

Cash flow in the period 01.01.-31.12.2021	
Agreement currency value	
agreements in EUR	18 975 122
agreements in PLN	267 317 220

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

sensitivity of the currency exposure	PLN
sensitivity of the balance sheet exposure resulting from the valuation of rent agreements as at 31.12.2020	
1% decrease of PLN currency	-4 300 137
1% increase of PLN currency	4 300 137
sensitivity of exposure resulting from financial flows over a period of 12 months from 31.12.2020 under rent agreements	
1% decrease of PLN currency	-875 664
1% increase of PLN currency	875 664

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

e. Interest rate risk

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

The interest rate risk is associated with loans and advances drawn, as well as with factoring programs and leases. 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 2020	< 1 year	2-5 years	> 5 years	Total
Cash and cash equivalents	117 491 807	-	-	**117 491 807**
The issuance of debt securities	-	(125 000 000)	-	**(125 000 000)**
Reverse factoring liabilities	(1 795 600 865)	-	-	**(1 795 600 865)**
Factoring of receivables without recourse	(95 574 051)	-	-	**(95 574 051)**
Credits and loans	(227 058 411)	(463 869 947)	-	**(690 928 358)**

31 December 2019	< 1 year	2-5 years	> 5 years	Total
Cash and cash equivalents	146 669 860	-	-	**146 669 860**
Reverse factoring liabilities	(1 806 000 577)	-	-	**(1 806 000 577)**
Factoring of receivables without recourse	(112 266 662)	-	-	**(112 266 662)**
Credits and loans	(648 790 562)	-	-	**(648 790 562)**

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

	Current value 31.12.2020	Current value 31.12.2019
Fixed interest rate instruments		
Financial assets	-	-
Financial liabilities	2 218 903 259	2 160 977 651
Variable interest rate instrument		
Financial assets	117 491 807	146 669 860
Financial liabilities	2 707 103 274	2 567 057 801

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

The Group prepared an analysis of the sensitivity of financial instruments with variable interest rates to changes in market interest rates. The table below presents the impact of an increase and decrease of the interest rate by 100 bp on the gross financial result and on equity less the gross financial result. The analysis was conducted assuming that all other variables, such as currency exchange rates, remain unchanged. The analysis was prepared for the current year and for the comparable period, i.e. 2019.

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS

	Income statement		Equity	
	increases 100bp	decreases 100bp	increases 100bp	dereases 100bp
31 December 2020	(25 896 115)	25 896 115	-	-
31 December 2019	(24 203 879)	24 203 879	-	-

The Group 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 2020 the list of transactions concluded was:

Transaction date	Nominal value	Status	Start	Finish	Valuation as at 31.12.2020
27.12.2018	100 000 000	in progress	31.01.2020	29.01.2021	-124 237,72
15.01.2019	100 000 000	in progress	09.01.2020	11.01.2021	-38 277,62
15.01.2019	100 000 000	in progress	16.01.2020	18.01.2021	-65 115,78
15.01.2019	100 000 000	in progress	23.01.2020	25.01.2021	-128 385,86
09.04.2019	100 000 000	in progress	21.02.2020	22.02.2021	-264 668,69
26.06.2019	100 000 000	in progress	28.02.2020	26.02.2021	-239 133,14
26.06.2019	100 000 000	before start	22.02.2021	22.02.2022	-1 555 014,49
26.06.2019	100 000 000	before start	29.01.2021	31.01.2022	-1 549 795,32
06.06.2019	100 000 000	in progress	11.01.2021	11.01.2022	-1 557 930,32
26.06.2019	100 000 000	before start	18.01.2021	18.01.2022	-1 550 210,01
26.06.2019	100 000 000	before start	25.01.2021	25.01.2022	-1 557 652,51
30.08.2019	100 000 000	in progress	02.09.2019	31.08.2022	-2 266 275,32
30.08.2019	100 000 000	in progress	02.09.2019	31.08.2022	-2 266 275,32
29.08.2019	100 000 000	in progress	02.09.2019	29.07.2022	-2 304 253,93
28.02.2020	200 000 000	before start	07.01.2022	09.01.2023	-2 145 318,29
04.03.2020	100 000 000	in progress	08.01.2021	07.01.2022	-914 959,87
09.03.2020	100 000 000	before start	05.03.2021	06.03.2023	-1 590 124,13
03.03.2020	100 000 000	before start	04.03.2022	06.03.2023	-980 523,31
					-21 098 151,63

f. Risk of changes in fuel and energy prices

The Group'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 Group 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 2020 and 2019, 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.

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.

Determining fair values

As at 31 December 2020, the fair value of financial instruments was similar to their carrying amount. The Group has instruments hedging interest rate risk, IRS, which are measured at fair value. For these IRS, the fair value was classified to level 2 of the hierarchy - the fair value is determined on the basis of values observed on the market, however, which are not a direct market quote (e.g. they are determined by direct or indirect reference to similar instruments existing on the market). In connection with the hedge accounting used, the valuation effect is recognized in other comprehensive income.

According to the 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 38.

OTHER SUBSEQUENT EVENTS

1. COVID-19

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

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

In connection with the COVID-19 pandemic in Poland in 2020, the Company incurred costs related to adapting its operations to the pandemic situation. At the same time, the Company benefited from co-financing resulting from anti-crisis shields introduced by the government. The total impact on the result in 2020 is estimated by the Company at PLN -15 million

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

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

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

3. Establishing a bond issue program

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

Under the Program, the Issuer will be able to issue bonds in PLN or EUR with maturity not exceeding 10 years. The bonds will bear interest at a fixed or variable interest rate and will, as a rule, be introduced to trading at the Catalyst ASO operated by the Warsaw Stock Exchange. As a rule, the bonds will be offered in the form of a public offering, with the exception of the obligation to prepare an issue prospectus or information memorandum. Bonds issued under the Program will be offered only to qualified investors within the meaning of Regulation (EU) 2017/1129 of 14 June 2017.

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

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

NOTE 39.

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.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

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

PART F

STATEMENT AND VALUATION OF THE SUPERVISORY BOARD

FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

KOMORNIKI, 10th March 2021

Statement of the Supervisory Board of Eurocash S.A.

Regarding Audit Committee of Supervisory Board of Eurocash S.A.

Supervisory Board of Eurocash S.A. hereby confirms that:

1) Eurocash S.A. comply with the legal requirements regarding the appointment, composition and functioning of the audit committee, including fulfilling the independence criteria of its members, their knowledge and skills on the scope of activities conducted by the Eurocash S.A. and on accounting and reviewing of the financial statements,
2) the Audit Committee of the Supervisory Board of Eurocash S.A. fulfilled its legal obligations as required by common binding law.

Legal basis:

§ 70 Sec 1 Item 8 and § 71 Sec. 1 Item 8 of Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information published by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognized as equivalent

Komorniki, March 11, 2021

Dr Hans Joachim Körber
Chairman of the Supervisory Board

Renato Arie
Member of the Supervisory Board

Jorge Mora
Member of the Supervisory Board

Przemysław Budkowski
Member of the Supervisory Board

Francisco José Valente Hipólito dos Santos
Member of the Supervisory Board

Due signatures on the original

Valuation
of the Supervisory Board of Eurocash S.A. with reasoning
concerning the consolidated financial statements of the Capital Group
of Eurocash S.A. for 2020, the financial statement of Eurocash S.A. for 2020,
the Management Board report on the operations of Eurocash S.A. Capital Group for 2020
and the Management Board report on the operations of Eurocash S.A. for 2020
as regards their conformity
with books, documents and facts

The Supervisory Board of Eurocash S.A. on the basis of:

1) the consolidated financial statement of the Capital Group Eurocash S.A. for 2020 and the financial statements of Eurocash S.A. for 2020,
2) the Management Board report on the operations of Eurocash S.A. Capital Group for 2020 and the Management Board report on the operations of Eurocash S.A. for 2020,
3) the reports from the examination of the separate and consolidated financial statements and the additional report of the auditing company for Audit Committee of the Supervisory Board of Eurocash S.A,
4) meetings with representatives of the audit firm,
5) recommendation of the Audit Committee of the Supervisory Board of Eurocash S.A. regarding the opinion on the audited financial statements,

made a positive valuation of:

1) the consolidated financial statement of the Capital Group Eurocash S.A. for 2020,
2) the financial statement of Eurocash S.A. for 2020,
3) the Management Board report on the operations of Eurocash S.A. Capital Group for 2020,
4) the Management Board report on the operations of Eurocash S.A. for 2020.

with regard to their conformity with books, documents and facts.

In the opinion of the independent expert auditor the financial statements of Eurocash S.A. and the consolidated financial statement of Eurocash S.A. Capital Group present a reliable and clear picture of the assets and financial situation of Eurocash S.A. and Eurocash S.A. Capital Group as at 31 December 2020 and of the financial result for the financial year as from 01 January 2020 to 31 December 2020, in accordance with International Accounting Standards, International Financial Reporting Standards and accounting principles (policy), and is consistent as to form and contents with applicable laws.

In the opinion of the independent expert auditor the Management Board report on the operations of Eurocash S.A. for 2020 and Eurocash S.A. Capital Group in 2020 was prepared in accordance with the applicable regulations and is consistent with the information contained in the financial statements of Eurocash S.A. and Eurocash S.A. Capital Group.

In the opinion of the Supervisory Board of Eurocash S.A. the submitted financial statements for 2020, including the statement of financial position, the separate profit and loss account and the separate statement of comprehensive income, the separate statement of changes in equity and the separate cash flow statement, reflect correctly and reliably the result of the Company's business activity for the above financial year and the Company's assets and financial situation as at 31 December 2020.

In the opinion of the Supervisory Board, the submitted consolidated financial statement for 2020, including the consolidated statement of financial position, consolidated profit and loss account and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement reflect correctly and reliably the result of the business activity of the Company's Capital Group for the above financial year and the assets and financial situation of the Company's Capital Group as at 31 December 2020.

In the opinion of the Supervisory Board, the reports of the Management Board on the operations of Eurocash S.A. and Eurocash S.A. Capital Group for 2020 were prepared in a reliable and exhaustive manner.

Legal basis:

Art. 382 § 3 of the Commercial Companies Code, § 14.2 (i) of the Statute of Eurocash S.A., § 70 Sec. 1 Item 14 and § 71 Sec. 1 Item 12 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state.

Komorniki, March 11, 2021

Dr Hans Joachim Körber
Chairman of the Supervisory Board

Renato Arie
Member of the Supervisory Board

Jorge Mora
Member of the Supervisory Board

Przemysław Budkowski
Member of the Supervisory Board

Francisco José Valente Hipólito dos Santos
Member of the Supervisory Board

Due signatures on the original

PART G

STATEMENT AND INFORMATION OF THE MANAGEMENT BOARD

FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

KOMORNIKI, 10th March 2021

EUROCASH S.A. MANAGEMENT BOARD STATEMENT

Acting pursuant to § 70 Sec. 1 Item 6 and § 71 Sec. 1 Item 6 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state Management Board of Eurocash S.A. represent that - to its best knowledge:

- the annual financial statements of Eurocash S.A. and consolidated annual financial statements of Eurocash S.A. Capital Group and comparative data were drawn up in accordance with the applicable accounting principles and give, diligent, and transparent view of the economic and financial position of Eurocash S.A. and Eurocash S.A. Capital Group and of their financial performance for 2020,
- the report of the Management Board on business operations of Eurocash S.A. and Eurocash S.A. Capital Group in 2020 contains a true view of the development, achievements, and the position of Eurocash S.A. and Eurocash S.A. Capital Group, including the description of main risks and threats.

Komorniki, March 11, 2021

EUROCASH S.A. MANAGEMENT BOARD INFORMATION

Acting pursuant to § 70 Sec. 1 Item 7 and § 71 Sec. 1 Item 7 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state the Management Board of Eurocash S.A. submits information prepared on the basis of the Supervisory Board's statement that on 9th May 2019 the Supervisory Board selected an auditing company that audited the annual standalone and consolidated financial statements of Eurocash S.A. and Eurocash S.A. Capital Group in accordance with the regulations and procedure for selecting an audit firm, indicating that:

- the audit firm and the members of the audit team met the conditions for drawing up an impartial and independent audit report on the standalone and consolidated annual financial statements in accordance with applicable regulations, professional standards and professional ethics,
- the applicable regulations related to the rotation of the audit firm and the key statutory auditor and mandatory grace periods are observed,
- the Company has a policy regarding the selection of an auditing company and a policy for providing the Company with an auditor, an entity related to the auditing company or a member of its network of additional non-audit services, including conditionally exempt services from the audit company.

Komorniki, March 11, 2021

Luis Amaral President of the Management Board	Rui Amaral Member of the Management Board
Pedro Martinho Member of the Management Board	Arnaldo Guerreiro Member of the Management Board
Katarzyna Kopaczewska Member of the Management Board	Jacek Owczarek Member of the Management Board
Przemysław Ciaś Member of the Management Board	Noel Collett Member of the Management Board

Due signatures on the original

EUROCASH GROUP

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