Siła Nowoczesnego Przedsiębiorcy

Rozwoju polskiej przedsiębiorczości 25 LAT

Eurocash Group S.A.

Consolidated annual report for the year 2021

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

KOMORNIKI, 14th April 2022

Contents

Part A

Letter from the President

KOMORNIKI, 14th April 2022

Dear Investors,

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

It would be trivial to say that Luis, who will shift to the Supervisory Board, has left his mark on his company – after all he has created it and it was his relentless energy which brought the company to its current position – one of the biggest companies in Poland. As the person who has taken upon him the extraordinary challenge of following in Luis' footsteps, I can only express my gratitude for being entrusted with this task as well as my respect for the professionalism with which this transition has been handled. While being for a long time the driving force and charismatic leader of Eurocash, Luis has managed to develop the company in a way that it could gradually stand on its own feet investing in a suite of managers who have the know-how, experience, and skills to take the company forward.
It is this remarkable Team I was able to engage with during my time as an advisor to the company and it is those fundaments I shall build on in my new role as CEO. Together with my colleagues from the newly reinforced Management Board I am looking forward to defining and executing the new vision for Eurocash for the coming years – building on Luis' legacy but also making our own marks as the times are dynamic and the market in full flux. We will do so, aware of the enormous potential of the Eurocash group – in the full sense of the word. This also encompasses its challenges, the overcoming of which will be one of the tasks of the new Management Board.

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

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

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

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

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

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

Yours sincerely,

Paweł Surówka

President of the Management Board
Eurocash Group

Part B

Report of the Management Board

FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

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

KOMORNIKI, 14th April 2022

CONTENTS

EUROCASH GRUPA | Siła Nowoczesnego Przedsiębiorcy

Table 1: Eurocash Group: Summary of 2021 Financial Performance

PLN m	2021	2020	Change %
Sales revenues (traded goods, materials)	26 281.43	25 398.60	3.48%
Gross profit (loss) on sales	3 409.35	3 342.51	2.00%
Gross profitability on sales (%)	12.97%	13.16%	-0.19 p.p.
EBITDA	708.16	785.23	-9.81%
(EBITDA margin %)	2.69%	3.09%	-0.4 p.p.
EBIT	97.53	231.71	-57.91%
(EBIT margin %)	0.37%	0.91%	-0.54 p.p.
Gross profit	(0.94)	89.21	-101.05%
Net Income	(99.34)	49.36	-301.26%
(Net profitability %)	-0.38%	0.19%	-0.57 p.p.

Consolidated sales of Eurocash Group in 2021 amounted to PLN 26 281.43 m and increased by 3.48% YoY. Sales growth was driven by three segments: wholesale, retail, projects.

Gross margin on sales realized by Eurocash Group in 2021 decreased by 0.19 p.p. YoY and amounted to 12.97%. EBITDA amounted to PLN 708.16m in 2021 and decreased by 9.81% y/y. Net loss of Eurocash Group reached PLN 99.34m. The reported loss was related mainly to the results of the Retail segment and the Projects segment. The following one-off events influenced the amount of the loss:

- impairment charge, taking into account the effect of reducing the scope of lease agreements worth PLN 64.3 million related to the closure of 50 own stores;
- impairment charge on the right to use selected real estates in the Retail segment in the amount of PLN 8.3 million;
- impairment charge on the right to use selected real estates and fixed assets in the Projects segment for the amount of PLN 16.7 million.

The total amount of the above-mentioned impairment losses amounted to PLN 89.3 million.

PLN m	2021	2020	Change %
Sales revenues (traded goods, materials)	26 281.43	25 398.60	3.48%
One-offs Sales of 50 closed stores	-151.53	-182.82	-17%
Adjusted sales revenues (traded goods, materials)	26 129.90	25 215.78	3.62%
EBITDA	708.16	785.23	-9.81%
(EBITDA margin %)	2.69%	3.09%	-0.4 p,p,
One-offs Write-off – 50 closed own stores	64.3	0	
EBITDA 50 closed own stores	14.7	2.97	
EBITDA Arhelan	-5	0	
Adjusted EBITDA	782.16	788.2	-0.76%
(EBITDA margin %)	2.98%	3.10%	-0.12 p.p.

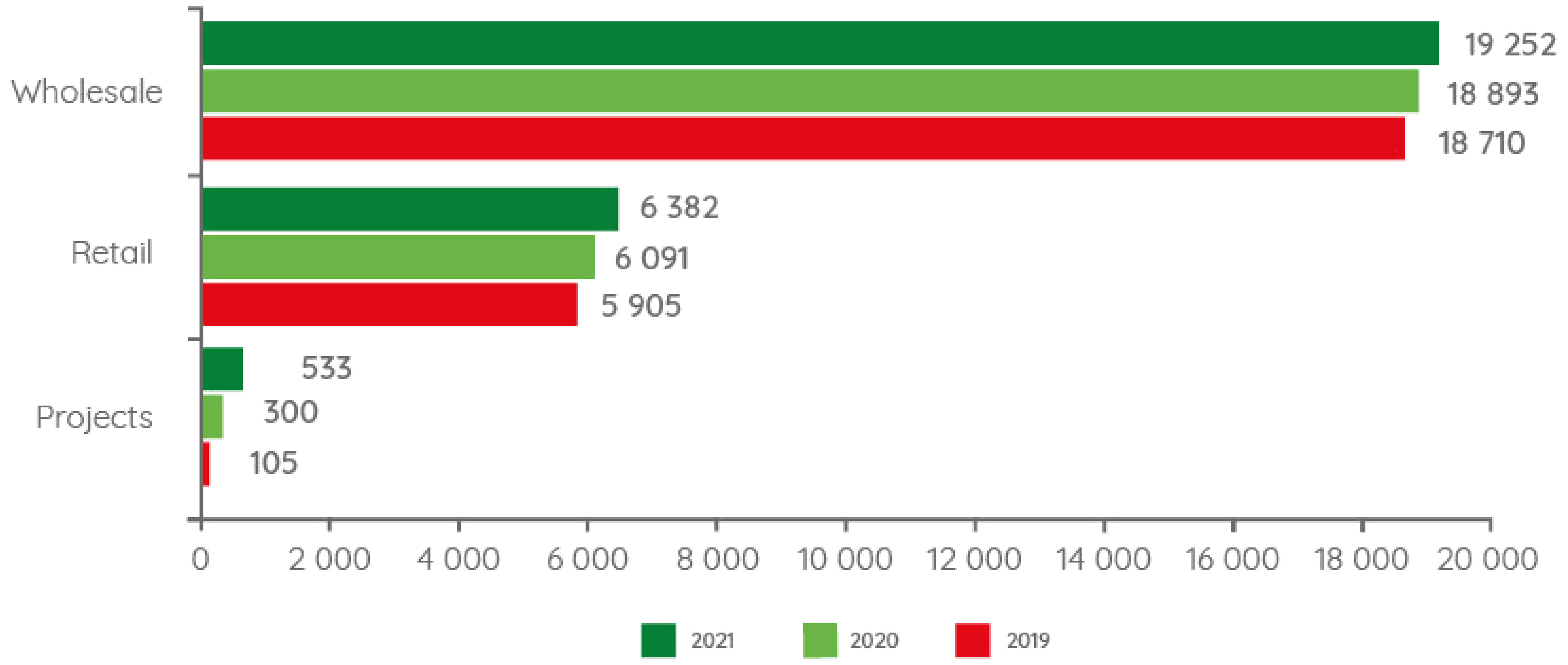
Tabele 2: Eurocash Group: Summary of 2021 Financial Performance

Operating segments of Eurocash Group

As at 31st December 2021, the Eurocash Group's wholesale trade network comprised 179 Cash&Carry warehouses, under which a network of „abc" partner stores was organized, which included 9 149 local grocery stores. In franchise and partner networks cooperating with Eurocash Distribution, there were 5 570 stores associated. The retail network included 1 599 small supermarkets, including 1 569 operating under the Delikatesy Centrum brand and 417 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)

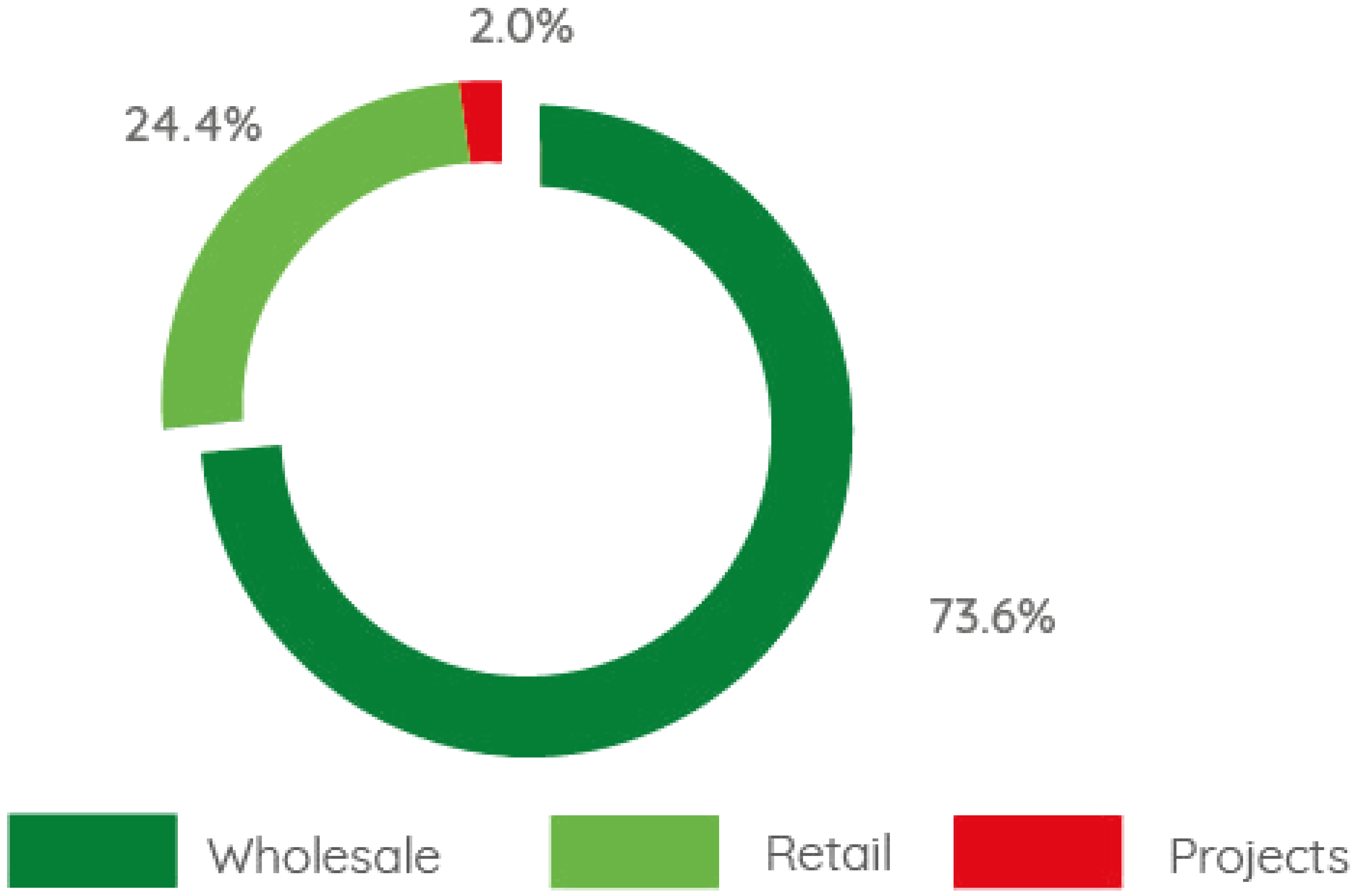


Source: Own study

In 2021 sales of goods in Wholesale segment amounted to PLN 19 252.27 m comparing with PLN 18 892.65 m in previous year which means growth by 1.90%. Retail sales of goods realized by Retail segment in 2021 amounted to PLN 6 381.83 m compared to PLN 6 091.10 m in previous year which means growth by 4.77%. In 2021 sales of goods realized by Projects segment amounted to PLN 532.83 m in comparison to PLN 300.38 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.

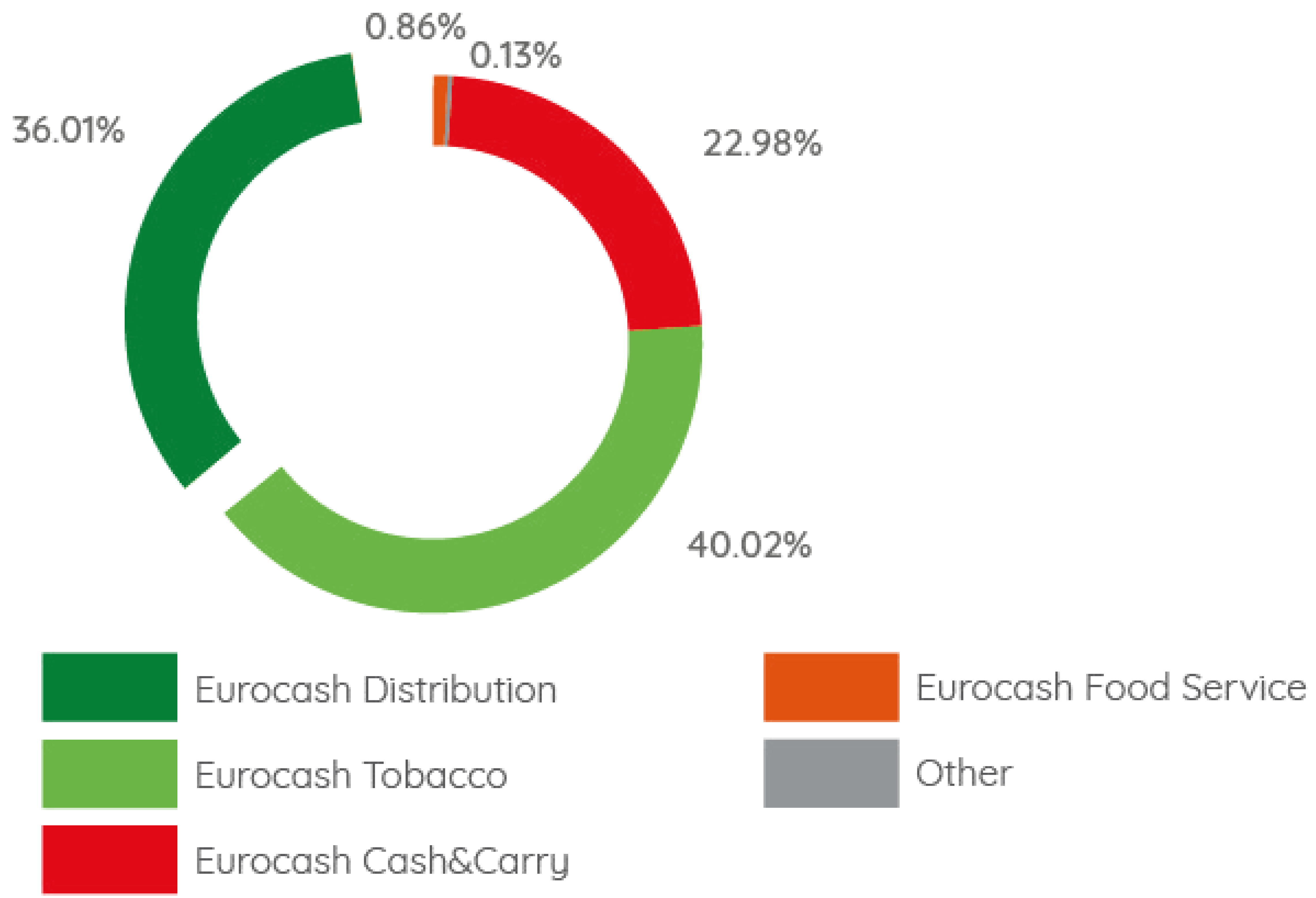
Below we present the distribution of sales revenues for 2021, split on business segments.

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 74% of Eurocash Group's sales revenues. Compared to the 2020, Retail segment increased by 0.30% and Wholesale segment decreased by 1.10%.

The largest share in the Wholesale segment sales is generated by Eurocash Distribution and Eurocash Tobacco – responsible for 40% and 36% of sales followed by Cash & Carry – 23%. The sales of Eurocash Food Service amounted to 1% of 2021 sales

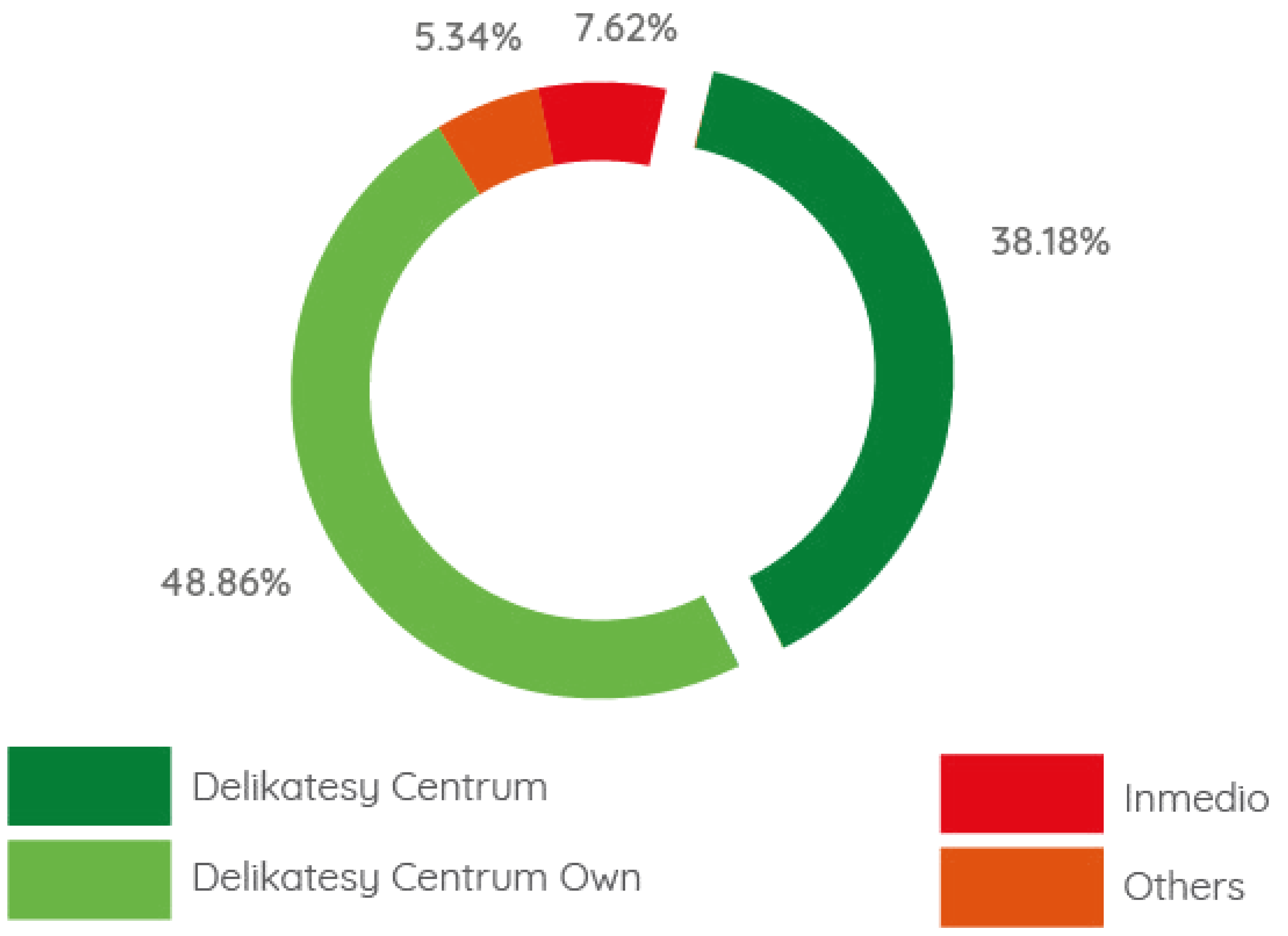


Chart 4. Eurocash Group: Sales of the retail segment by individual formats (PLN bn)

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 – 49%, followed by Delikatesy Centrum, amounted to 38%. Other stores including Partner stores and Podlaskie Delikatesy - less than 5%. 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.

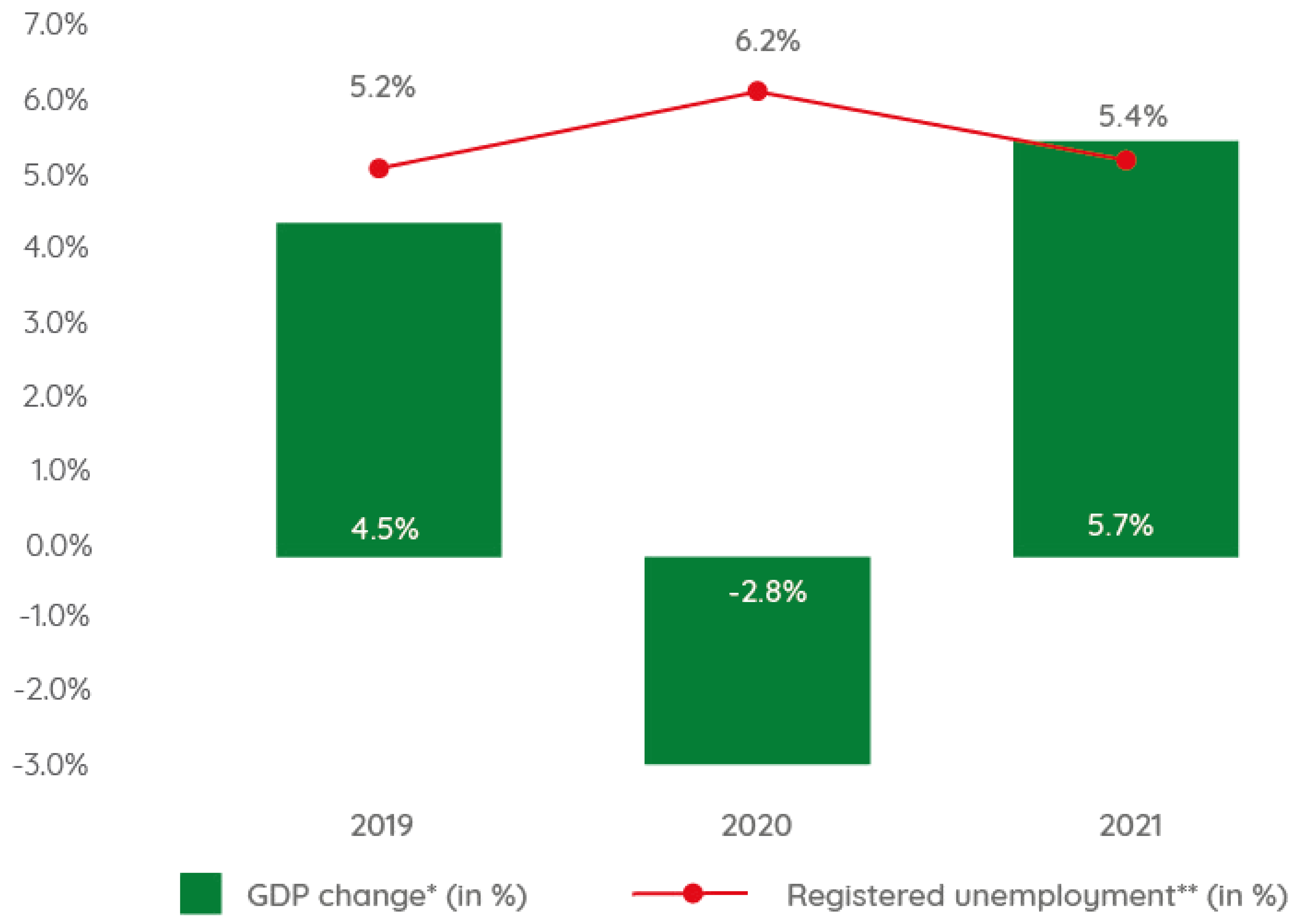
The table below presents key macroeconomic data for the Polish economy for periods indicated.

Table 3: Macroeconomic situation in Poland

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

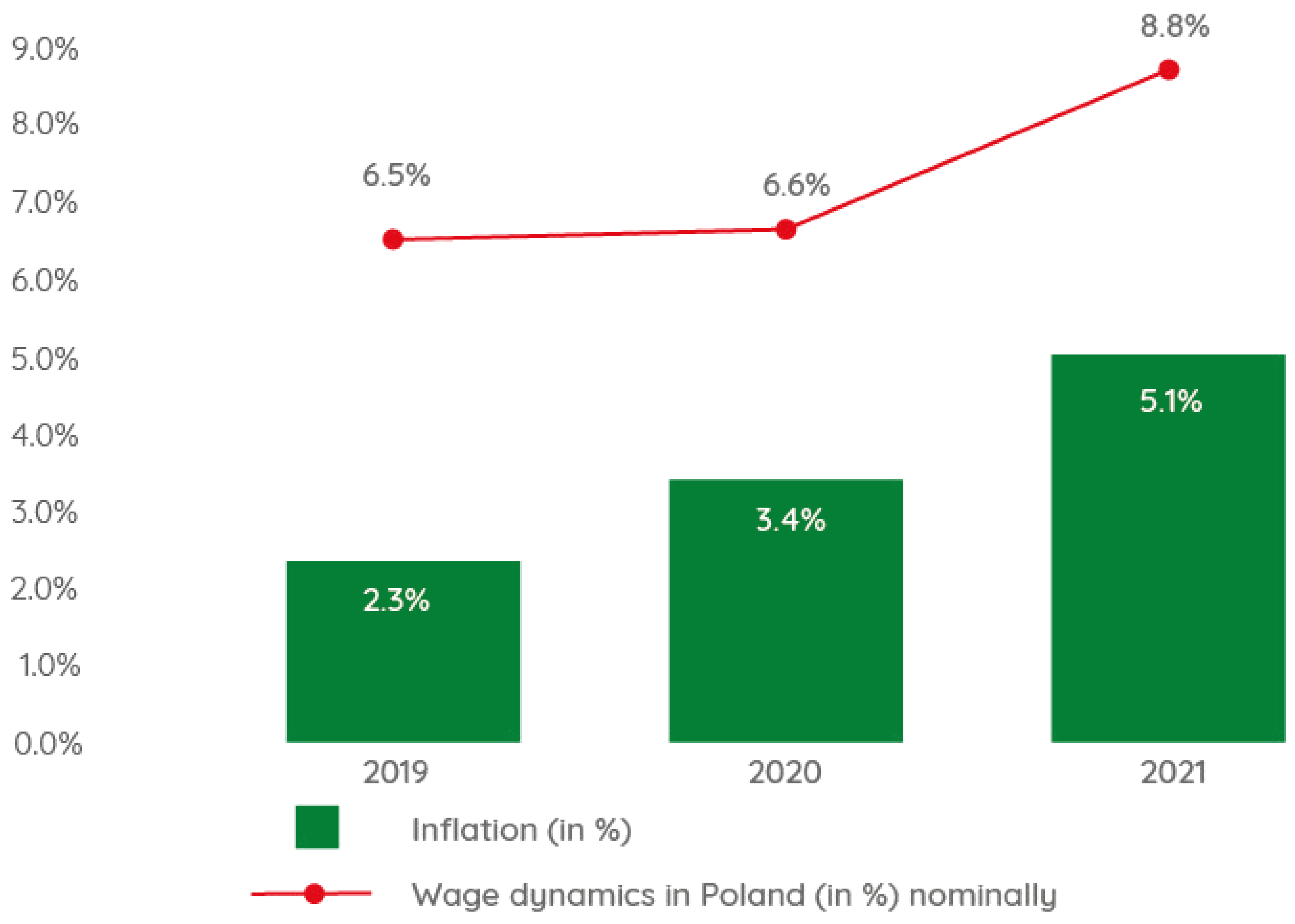
Source: Polish Central Statistical Office
* Preliminary data for 2021
** As at year end

Chart 5. Macroeconomic: GDP change vs. Registered unemployment



Source: Polish Central Statistical Office

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



Source: Polish Central Statistical Office

Poland's economic growth, as measured by GDP growth, according to preliminary estimates amounted in 2021 to 5.7% compared to -2.8% in 2020. The overall decline in GDP levels was driven by the COVID-19 pandemic situation. Gross added value in trade and repair increased by 5.9% YoY, compared to an decrease of 2.7% in 2020. Gross value added in manufacturing in 2021 increased by 14.1% YoY, compared to a decrease of 5.3% in 2020. Gross value added in construction in 2021 increased by 1.2% YoY, compared to a decrease of 4.6% in 2020. In 2020 total consumption increased by 4.8% in real terms, including consumption in the household sector by 6.2% (up 1.1% and 3.0% in 2020, respectively).

The increase in operating expenses, which are significantly linked to the increase in wages, also has a remarkable impact on the operations of enterprises in Poland. In years 2018-2020, the dynamics of gross wages and salaries in private enterprises ranges from 6.5% to 7.0% and in 2021 it amounted to 8.8% (data from the Central Statistical Office). In the same period, inflation of consumer goods and services was recorded in Poland, which in 2021 amounted to 5.1% YoY.

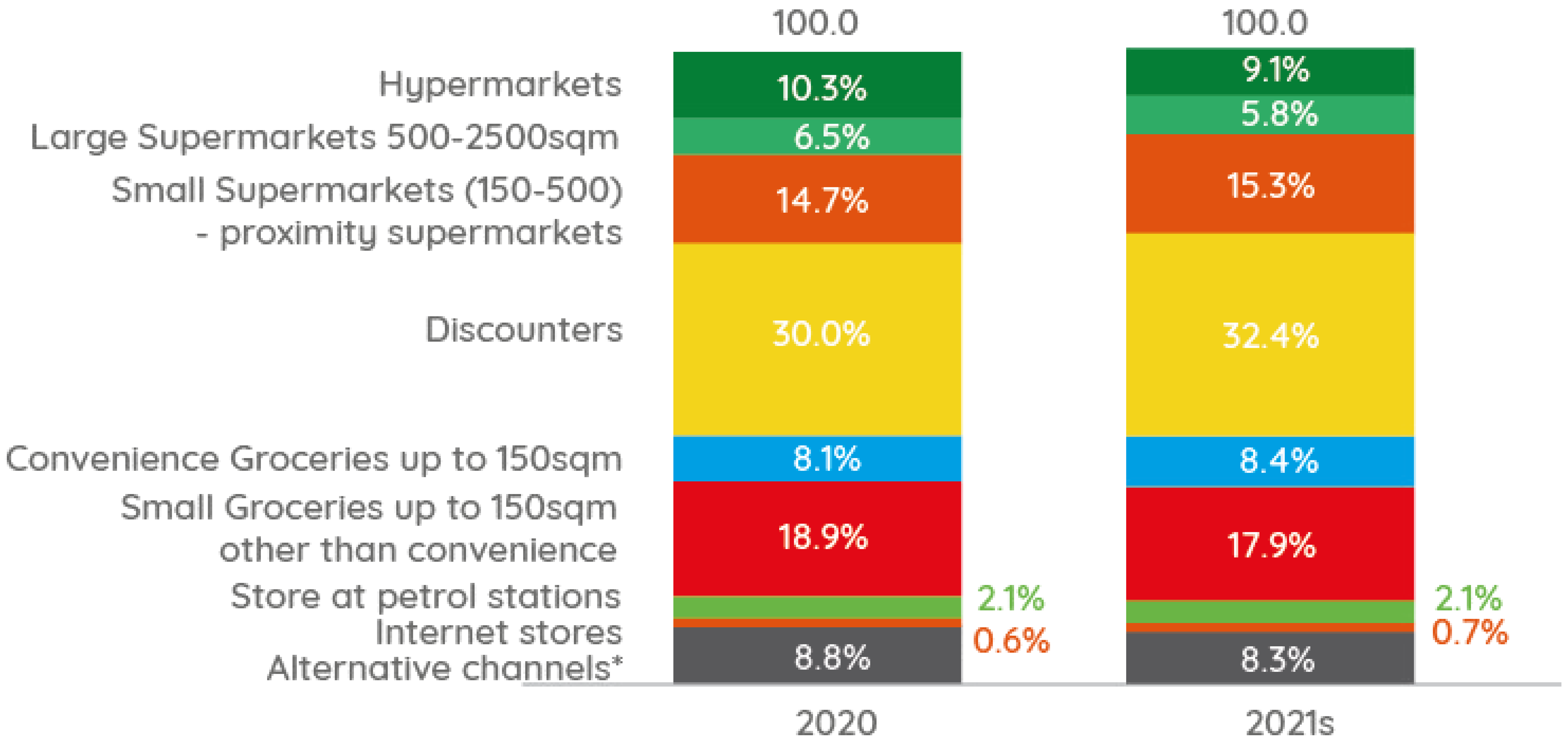
Prices of food and non-alcoholic beverages in 2021 increased by 3.2% YoY and prices of alcoholic beverages and tobacco products increased by 2.5% YoY.

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

Polish FMCG market - general information

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

Chart 7. Structure of the FMCG market in Poland



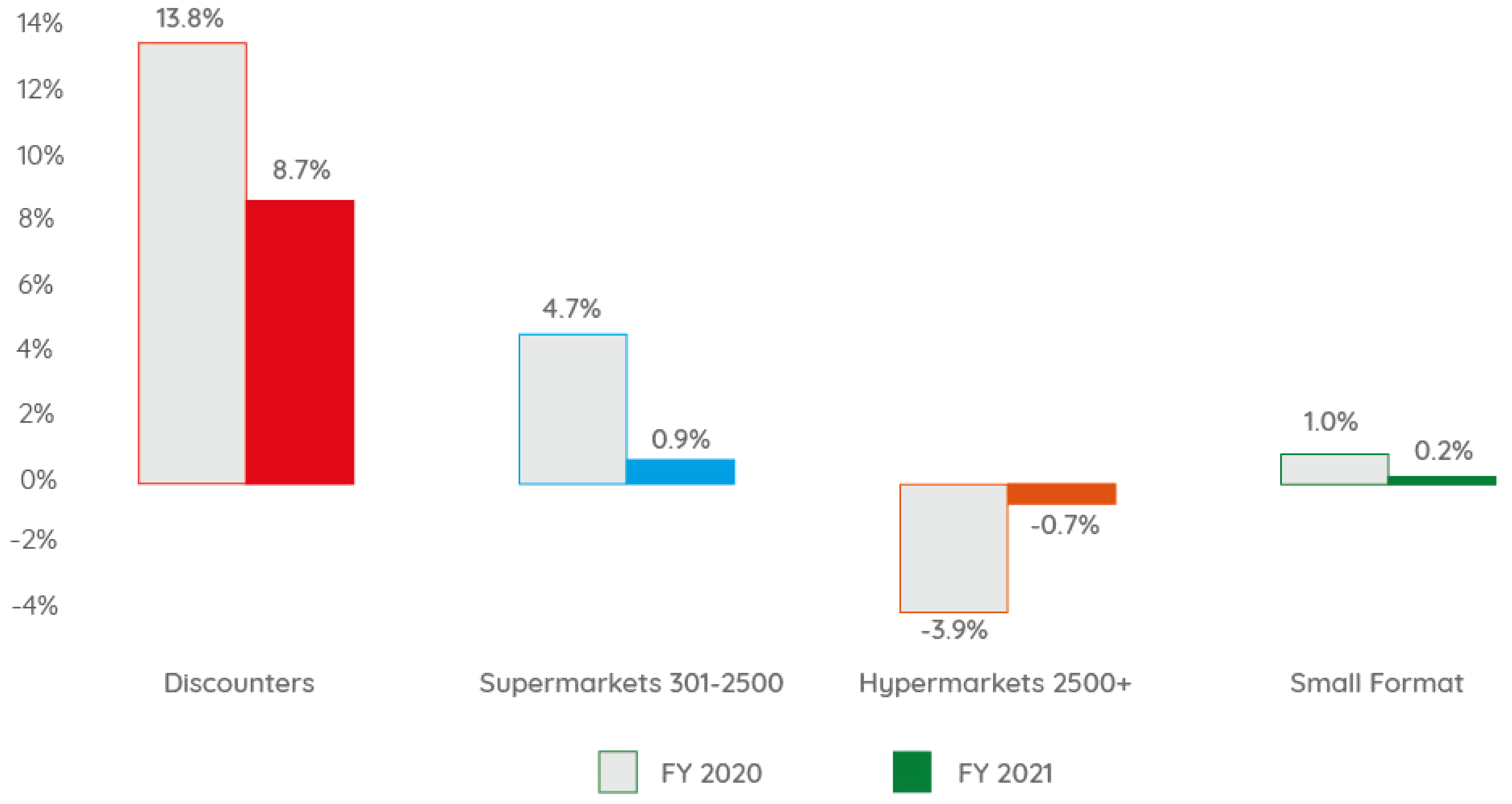
Source: Own estimates based on PMR data

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

At the same time, the number of small-format stores decreased by 2.8%, reaching the level of approx. 88.2 thousand stores at the end of 2021. Decrease in the number of small-format stores is mainly caused by the decrease in the number of smallest stores with an area of up to 150 sqm.

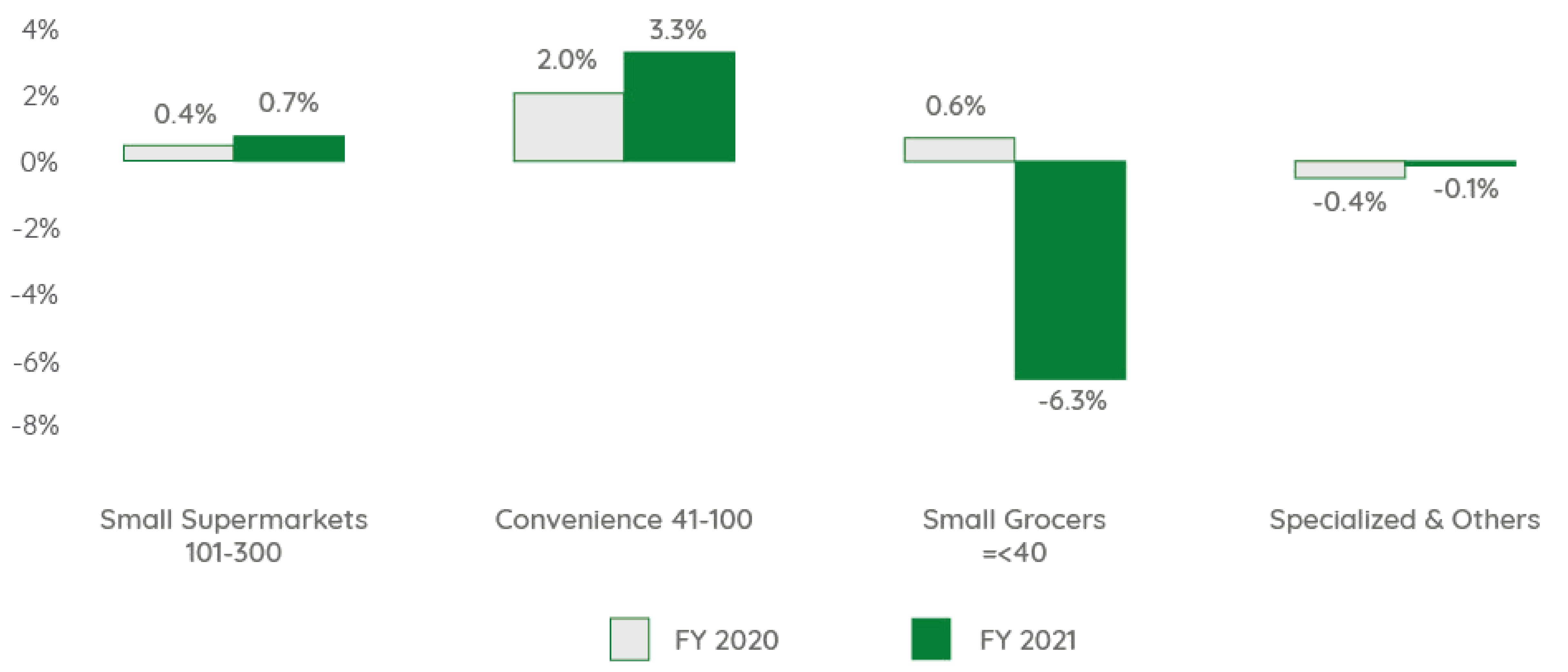
However according to Nielsen, the sale of stores that remain on the market is growing quite fast which translates into a 0.2% increase in sales of small format stores compared to last year. The sales of convenience stores (from 41 to 100 sqm) recorded a 3.3% YoY increase and specialized stores recorded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

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



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

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



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

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

Wholesale distribution of FMCG Market

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

Trends on the Polish FMCG Market

In the last decade, a gradual leveling off the market share was noted for both FMCG retail sales channels, i.e. the modern and the traditional channel. Currently, according to estimates released by Nielsen, large format stores (supermarkets, hypermarkets and discount stores) have market of approximately 64% of major retail channels whereas small format stores - approximately 36%[1]. According to Eurocash, there is no evidence that the role of traditional retail trade will continue to dramatically diminish in the coming years. This is supported by both external conditions (the demographic structure) as well as internal conditions (which mainly consist of consolidation and modernization mechanisms which facilitate effective competition with large format outlets.) Pooling grocery stores and small supermarkets into franchise networks - both traditional in nature (which are in fact a form of loyalty programs) as well as modern ones (which tie retailers strongly to their supplier) a manifestation of this trend. According to PMR estimates, the total number of retail outlets associated in networks was approximately 51.4 thousands (+8.8% YoY) in 2021.

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

1. Nielsen Retail Trade Panel, Value sales, period: January 2019 – December 2021, 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 10. 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., AMBRA Sp. z o.o. and firms belonging to Alcohol Distribution);
 - companies organizing or supporting franchise chains of retail shops: Euro Sklep S.A., Groszek Sp. z o.o., Lewiatan Holding S.A., Lewiatan Podlasie Sp. z o.o., Lewiatan Śląsk Sp. z o.o., Lewiatan Zachód Sp. z o.o., Lewiatan Północ Sp. z o.o., Lewiatan Opole Sp. z o.o., Lewiatan Wielkopolska Sp. z o.o., Lewiatan Podkarpacie Sp. z o.o., Lewiatan Kujawy Sp. z o.o., Lewiatan Orbita Sp. z o.o.;

- Cash&Carry –a national network of discount Cash & Carry type warehouses under the "Eurocash Cash & Carry" brand, as part of which the loyalty program for the "abc" network of stores operates;
- Tobacco & Impulse – active distribution of tobacco products and fast moving consumer goods through Eurocash Serwis Sp. z o.o.;
- Eurocash Food Service – supplies for restaurant chains, hotels and independent food outlets;
- Other – sales revenue of 4Vapers Sp. z o.o. and Cerville Investments Sp. z o.o.

Retail – retail sales of Eurocash Group and wholesale sales of Eurocash to Delikatesy Centrum franchisees:

- Delikatesy Centrum franchise stores –a franchise system for retail stores operating under the brand "Delikatesy Centrum";

- Delikatesy Centrum own retail stores – own stores, managed as part of companies: FHC-2 Sp. z o.o., Madas sp. z o.o., Podlaskie Delikatesy Centrum Sp. z o.o. (Eurocash holds 100% of shares), Rogala Sp. z o.o. (Eurocash holds 50% of shares) and Arhelan sp. z o.o. (Eurocash holds 49% of shares)

- Lewiatan Partner – retail sales of Eurocash Group and wholesale of Eurocash to own stores under Lewiatan brand, managed by Partner Sp. z o.o. (Eurocash holds 100% of shares), and

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

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

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

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

2.3 Number of outlets

As at 31st December 2021, the Eurocash Group's wholesale trade network comprised 179 Cash&Carry warehouses, under which a network of „abc" partner stores was organized, which included 9 149 local grocery stores. In franchise and partner networks cooperating with Eurocash Dystrybucja, there were 5 570 stores associated.

The retail network included 1 608 small supermarkets, including 1 569 operating under the Delikatesy Centrum brand and 417 Inmedio press salons. The table below presents information on the number of Cash & Carry wholesalers, the number of small supermarkets, including Delikatesy Centrum, „abc" chain stores, Inmedio stores and stores associated under Eurocash Dystrybucja.

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

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

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

2.4 Sales Structure

Basic groceries (food and drinks – both alcoholic and non-alcoholic) represent key sales items for the Eurocash Group. In 2021, the share of these products accounted for approximately 67% of the total sales figure. The second most important sales contributor comprised of tobacco products, pre-paid top ups, and phone cards - with the share of c.30% in 2021. The share of other non-food products (including cosmetics, household chemicals, OTC drugs and others) accounted for 3.0% in 2021.

2.5 Structure of the Eurocash Capital Group

Luis Amaral is the main shareholder of Eurocash (directly and indirectly) with the shareholding of 44.04% as at 31.12.2021. Luis Amaral serves as President of the Management Board. The parent company in the Group is Eurocash S.A., which realizes the majority of the Group's sales.

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

The parent entity in the Group is Eurocash S.A., which performs most of the group's sales. The structure of the Eurocash Group and its affiliated companies as at 31st December 2021 is presented on the next page.

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

FRANCHISE

- 100% Eurocash Franczyza Sp. z o.o.
- 66,6% Lewiatan Holding S.A.
- 100% Lewiatan Podkarpacie Sp. z o.o.
- 100% Lewiatan Północ Sp. z o.o.
- 100% Lewiatan Kujawy Sp. z o.o.
- 100% Lewiatan Wielkopolska Sp. z o.o.
- 100% Lewiatan Opole Sp. z o.o.
- 100% Lewiatan Orbita Sp. z o.o.
- 100% Lewiatan Zachód Sp. z o.o.
- 100% Lewiatan Podlasie Sp. z o.o.
- 100% Lewiatan Śląsk Sp. z o.o.
- 100% EURO SKLEP 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.
- 49% Arhelan Sp. z o.o.
- 49% Stormer Sp. z o.o.
- 49% Maximix Sp. z o.o.

PROJECTS

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

OTHER

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

3.1 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 2021 number of customers of eurocash.pl platform amounted to 31 thousands and they share in sales reached 43%. Since September 2019, Eurocash Group develop additional platform marketplace.

pl, which will allow customers to order thousands of additional and unique SKU.

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

3.2 Factors impacting Development of Eurocash Group

External Factors

War in Ukraine

On the 24th of February 2022, Russian troops attacked Ukraine and an armed conflict began, which will certainly have long-term consequences not only for Poland and Europe, but also for the world.

The main reason for the outbreak of the war is believed to be Ukraine's declared intention to integrate into the EU and join NATO, but it seems that the problem is more complex and will not be resolved definitively any time soon.

In response to the invasion, US and EU officials have imposed sanctions on Russia. The package of sanctions is aimed in particular at impeding international trade settled in dollars and pounds (introduced by the United States and the United Kingdom). The sanctions also included issues such as disconnecting Russian banks from the SWIFT system, impeding the activities of the Russian central bank, and closing airspace to Russian aircraft. Canada, Switzerland, and Japan also joined the various actions taken by the U.S., EU, and U.K. as recently as February 2022. The introduction of sanctions triggered, among other things, a halt in the work of the Russian stock exchange, a sharp increase in cash trading, and a collapse of the ruble exchange rate.

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

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

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

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

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

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

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

Eurocash Group has actively contributed to aiding Ukraine by organising numerous collections of basic necessities and actions to support employees from beyond our eastern border. The Group has actively joined in the assistance to Ukraine by organising many collections of basic necessities and actions to support employees from across our eastern border. The Group implemented, among others, a support program for Ukrainian workers, in cooperation with a Temporary Employment Agency. This made it possible to bring several hundred families of Group employees to our country.
The Group has also announced a boycott of Russian and Belarusian products. As an expression of solidarity with Ukraine, it decided to suspend the purchase and sale of these products in all of its channels.

COVID-19

In connection with the situation of the SARS-CoV-2 coronavirus pandemic, the Group monitors the situation on an ongoing basis and complies with the recommendations of the Chief Sanitary Inspector and other services in Poland. The possible development of the epidemic in Poland may have a negative impact on the Group's operating activities and the production capacity of suppliers or the sales volume of customers. Taking into account the above-mentioned circumstances, the Group's Management Board analyzed the possible impact of the indicated situation on the financial results. On the basis of the conducted analysis, the Group's Management Board did not find any significant uncertainty as to the possibility of the functioning of the Parent Company and its subsidiaries in the future.

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

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

Fuel prices

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

Inflation

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

Labour costs

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

Internal Factors

Investments in strategic developments projects

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

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

3.3 Risks and Threats

Financial risks are discussed in sections 2.1 and 2.3 of the additional information to the consolidated financial statements for 2021, which constitute a part of the Eurocash Group's annual report. Other significant risk factors related to the operations of the Eurocash Group S.A. are presented below.

External Factors

Macroeconomic situation. Purchasing power of the population

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

The structure of the FMCG retail distribution market in Poland

In 2021, the traditional distribution channel was a significant form of FMCG retail distribution, representing the share of 36,4%[2]. Such a high share (against other European countries) results from a low concentration of population in a country as well as from poor housing conditions as small and medium-size shops located away from large conglomerates comprise the key customer group for Eurocash. Growth in the share of modern distribution including the expansion of discounters, responsible for 40,5%[3] of sales in Poland in 2021, will reduce the potential market for the Eurocash Group's business.

The structure of the traditional FMCG distribution channel. Competition

According to the estimates compiled by the Eurocash Group, approx. 3000-4000 entities operate in the wholesale FMCG distribution market. Market consolidation

2Nielsen Retail Trade Panel, Value sales, period: January 2018 - December 2021, Food categories
3. Ibidem

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 2021 comprised to 1396 national and foreign entities.

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

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

Risk management system

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

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

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

Table 4: Risk management system

Risk area	Risk examples	Elements of the risk management system - methods of monitoring and controlling
Ethics and counteracting corruption	• Risk of public corruption • Risk of corruption in relations with contractors • Risk of fraud against employ-ees • 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 anonymo-usly report cases of corruption, abuse and breaches of the Code of Ethics • Introducing a procedure for dealing with reports, a reporting path, protecting whi-stleblowers from reprisals, discrimination or other unfair treatment, protecting per-sonal 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 whistleblo-wer 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 con-tractors (giving gifts for charity) • Implementation of procedures and pro-cess 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 viola-tion • 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 com-pliance with consumer rights legislation • Training and awareness-raising of em-ployees • Monitoring the profile and level of risks identified in the Group • Implementing an effective compliance system to monitor key risks on an ongo-ing 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, di-
		scrimination 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 2021 and was applied to all periods presented in the financial statement.

4.2 Eurocash Group: Financial and Operational Highlights

Table 6: Eurocash Group: External sales of goods by distribution format for 2021

PLN m	2021	2020	Change %
Wholesale	**19 252.27**	**18 892.61**	**1.90%**
Cash&Carry	4 423.79	4 666.89	-5.21%
Tobacco	7 704.63	7 328.40	5.13%
Distribution	6 933.57	6 679.83	3.80%
Food Service	165.79	176.76	-6.21%
Other	24.50	40.74	-39.86%
Retail	**6 381.83**	**6 091.10**	**4.77%**
Delikatesy Centrum	2 436.53	2 373.10	2.67%
Delikatesy Centrum Own	3 458.92	3 270.53	5.76%
Inmedio	486.38	447.47	8.69%
Projects	**532.83**	**300.41**	**77.37%**
Eurocash Group	**26 166.94**	**25 284.13**	**3.49%**

Wholesale

- In 2021 external sales of goods in Wholesale segment amounted to PLN 19 252.27 m and increased by 1.9% YoY.
- EBITDA in 2021 amounted to PLN 668.48 m in comparison to PLN PLN 628.87 in 2020. EBITDA growth in 2021 was mainly driven by sales growth in the cigarette distribution format
- LFL sales growth (same number of stores) in Eurocash Cash&Carry stores in 2021 amounted to -5.2%.
- The number of Eurocash Cash&Carry stores at the end of 2021 was 179.
- The number of abc stores amounted to 9 149 at the end of 2021.
- Number of partnership or franchise stores organized by companies belonging to Eurocash Group (Groszek, Euro Sklep, Lewiatan and PSD) amounted to 5 570 stores as of the end of 2021.
- Sales of cigarettes in terms of value increased by 1.90% in 2021.

Retail:

- Sales of goods realized by Retail segment in 2021 amounted to PLN 6 381.83 m and increased by 4.77% YoY.
- In 2021 EBITDA amounted to PLN 204.68 m in comparison to PLN 315.41 m in 2020.
- In 2021, an impairment charge was made in the retail segment in the amount of PLN 64.3 million related to the closing of 50 own stores.
- The operating profit (EBIT) of the retail segment is lower by PLN 8.3 million than the preliminary estimates provided in the current report no. 5/2022 due to the revaluation of the right to use selected properties.
- LFL growth of wholesale sales realized by Eurocash to „Delikatesy Centrum" franchise stores amounted to 1.4% in 2021.
- LFL growth of retail sales of "Delikatesy Centrum" franchise stores amounted to 1.8% in 2021.
- LFL dynamic of retail sales in 2021 amounted in Inmedio stores to 9.26% YoY.
- Number of Small Supermarkets at the end of 2021 amounted to 1 569, including 966 Franchise stores and 603 Own stores.
- Number of Inmedio stores at the end of 2021 amounted to 417 stores.

Projects

- Sales of goods realized by Projects segment in 2021 amounted to PLN 532.83 m comparing to PLN 300.41 m in 2020. Sales increase was connected to Frisco full consolidation in 2021, Duży Ben chain of stores which entered the expansion phase with 204 stores at the end of 2021.
- In 2021 EBITDA amounted to PLN -44.15 m comparing to PLN -33.07 m in 2020. Result of the segment was negatively impacted by Frisco by further expansion costs of all formats.
- The segment's operating profit (EBIT) is lower by PLN 16.7 million than the preliminary estimates provided in the current report no. 5/2022 due to the revaluation of the right to use selected properties and fixed assets.

Others

In 2021 EBITDA amounted to PLN -120.85 m comparing to PLN -125.99 m in 2020.

Table 7: Eurocash Group: Operating segments results in 2021

1Q 2021 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	4 184.38	1 477.25	118.68	0.00	**5 780.30**
EBIT	51.38	-31.54	-22.09	-31.37	**-33.62**
(EBIT margin %)	1.23%	-2.14%	-18.62%	0.00%	**-0.58%**
EBITDA	117.74	35.82	-10.96	-26.68	**115.93**
(EBITDA margin %)	2.81%	2.43%	-9.23%	0.00%	**2.01%**

2Q 2021 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	4 858.28	1 530.47	128.32	0.00	**6 517.08**
EBIT	109.14	-108.15	-23.64	-35.39	**-58.05**
(EBIT margin %)	2.25%	-7.07%	-18.43%	0.00%	**-0.89%**
EBITDA	170.49	-41.25	-11.46	-31.12	**86.66**
(EBITDA margin %)	3.51%	-2.70%	-8.93%	0.00%	**1.33%**

3Q 2021 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	5 262.08	1 611.87	122.59	0.00	**6 996.54**
EBIT	130.06	20.19	-25.59	-30.63	**94.02**
(EBIT margin %)	2.47%	1.25%	-20.88%	0.00%	**1.34%**
EBITDA	189.58	84.63	-11.83	-26.53	**235.84**
(EBITDA margin %)	3.60%	5.25%	-9.65%	0.00%	**3.37%**

4Q 2021 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	4 947.53	1 762.24	163.24	0.00	**6 873.01**
EBIT	130.77	46.70	-41.68	-40.61	**95.18**
(EBIT margin %)	2.64%	2.65%	-25.53%	0.00%	**1.38%**
EBITDA	190.67	125.48	-9.91	-36.51	**269.73**
(EBITDA margin %)	3.85%	7.12%	-6.07%	0.00%	**3.92%**

Table 8: Eurocash Group: Operating segments results in 2021 YTD

1Q YTD 2021 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	4 184.38	1 477.25	118.68	0.00	**5 780.30**
EBIT	51.38	-31.54	-22.09	-31.37	**-33.62**
(EBIT margin %)	1.23%	-2.14%	-18.62%	0.00%	**-0.58%**
EBITDA	117.74	35.82	-10.96	-26.68	**115.93**
(EBITDA margin %)	2.81%	2.43%	-9.23%	0.00%	**2.01%**

2Q YTD 2021 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	9 042.66	3 007.72	247.00	0.00	**12 297.38**
EBIT	160.52	-139.70	-45.74	-66.76	**-91.67**
(EBIT margin %)	1.78%	-4.64%	-18.52%	0.00%	**-0.75%**
EBITDA	288.24	-5.43	-22.42	-57.80	**202.59**
(EBITDA margin %)	3.19%	-0.18%	-9.07%	0.00%	**1.65%**

3Q YTD 2021 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	14 304.74	4 619.59	369.60	0.00	**19 293.93**
EBIT	290.58	-119.50	-71.33	-97.39	**2.35**
(EBIT margin %)	2.03%	-2.59%	-19.30%	0.00%	**0.01%**
EBITDA	477.82	79.20	-34.25	-84.34	**438.43**
(EBITDA margin %)	3.34%	1.71%	-9.27%	0.00%	**2.27%**

4Q YTD 2021 (PLN m)	Wholesale	Retail	Projects	Others	Total
Sales revenue from traded goods	19 252.27	6 381.83	532.83	0.00	**26 166.94**
EBIT	421.35	-72.80	-113.01	-138.01	**97.53**
(EBIT margin %)	2.19%	-1.14%	-21.21%	0.00%	**0.37%**
EBITDA	668.48	204.68	-44.15	-120.85	**708.16**
(EBITDA margin %)	3.47%	3.21%	-8.29%	0.00%	**2.71%**

Table 9: Eurocash Group: Operating segments 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	4 613.82	1 550.55	117.71	0.00	**6 282.08**
EBIT	111.38	31.72	-21.07	-39.98	**82.05**
(EBIT margin %)	2.41%	2.05%	-17.90%	0.00%	**1.31%**
EBITDA	169.61	97.21	-8.37	-34.94	**223.52**
(EBITDA margin %)	3.68%	6.27%	-7.11%	0.00%	**3.56%**

Table 10: 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	18 892.61	6 091.10	300.41	0.00	**25 284.13**
EBIT	386.57	55.00	-66.60	-143.25	**231.71**
(EBIT margin %)	2.05%	0.90%	-22.17%	0.00%	**0.92%**
EBITDA	628.87	315.41	-33.07	-125.99	**785.23**
(EBITDA margin %)	3.33%	5.18%	-11.01%	0.00%	**3.11%**

4.3 Profit and Loss Account – profitability analysis

Table 11: Eurocash Group: Summary of 2021 Financial Performance

PLN m	2021	2020	Change %
Sales revenues (traded goods, materials)	26 281.43	25 398.60	3.48%
Gross profit (loss) on sales	3 409.35	3 342.51	2.00%
Gross profitability on sales (%)	12.97%	13.16%	-0.19 p.p.
EBITDA	708.16	785.23	-9.81%
(EBITDA margin %)	2.69%	3.09%	-0.4 p.p.
EBIT	97.53	231.71	-57.91%
(EBIT margin %)	0.37%	0.91%	-0.54 p.p.
Gross profit	(0.94)	89.21	-101.05%
Net Income	(99.34)	49.36	-301.26%
(Net profitability %)	-0.38%	0.19%	-0.57 p.p.

Consolidated sales of Eurocash Group in 2021 amounted to PLN 26 281.43 m and increased by 3.48% YoY. Sales growth was driven by three segments: wholesale, retail, projects.

Gross margin on sales realized by Eurocash Group in 2021 decreased by 0.19 p.p. YoY and amounted to 12.97%. EBITDA amounted to PLN 708.16m in 2021 and decreased by 9.81% y/y. Net loss of Eurocash Group reached PLN 99.34m. The reported loss was related mainly to the results of the Retail segment and the Projects segment. The following one-off events influenced the amount of the loss:

- impairment charge, taking into account the effect of reducing the scope of lease agreements worth PLN 64.3 million related to the closure of 50 own stores;
- impairment charge on the right to use selected real estates in the Retail segment in the amount of PLN 8.3 million;
- impairment charge on the right to use selected real estates and fixed assets in the Projects segment for the amount of PLN 16.7 million.

The total amount of the above-mentioned impairment losses amounted to PLN 89.3 million.

PLN m	2021	2020	Change %
Sales revenues (traded goods, materials)	26 281.43	25 398.60	3.48%
One-offs Sales of 50 closed stores	-151.53	-182.82	-17%
Adjusted sales revenues (traded goods, materials)	26 129.90	25 215.78	3.62%
EBITDA	708.16	785.23	-9.81%
(EBITDA margin %)	2.69%	3.09%	-0.4 p,p,
One-offs Write-off – 50 closed own stores	64.3	0	
EBITDA 50 closed own stores	14.7	2.97	
EBITDA Arhelan	-5	0	
Adjusted EBITDA	782.16	788.2	-0.76%
(EBITDA margin %)	2.98%	3.10%	-0.12 p.p.

Tabele 12: Eurocash Group: Summary of 2021 Financial Performance

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:

PLN m	31.12.2021	%	31.12.2020	%
Non-current assets (long-term)	**5 267.50**	**62.06%**	**5 096.73**	**63.19%**
Goodwill	2 130.02	40.44%	2 045.03	40.12%
Intangible assets	342.77	6.51%	349.69	6.86%
Property, plant and equipment	696.41	13.22%	721.04	14.15%
Investment real property	1 942.05	36.87%	1 795.46	35.23%
Investment property	0.91	0.02%	0.93	0.02%
Investments in equity accounted investees	13.37	0.25%	13.09	0.26%
Other long-term investments	4.60	0.09%	0.53	0.01%
Long-term receivables	14.59	0.28%	16.07	0.32%
Deferred tax assets	118.41	2.25%	145.20	2.85%
Other long-term prepayments	4.38	0.08%	9.70	0.19%
Current assets (short-term)	**3 219.80**	**37.94%**	**2 969.06**	**36.81%**
Invetories	1 535.65	47.69%	1 363.01	45.91%
Trade receivables	1 332.25	41.38%	1 309.24	44.10%
Current tax receivables	4.69	0.15%	28.74	0.97%
Other short-term receivables	171.33	5.32%	112.57	3.79%
Other short-term financial assets	14.81	0.46%	0.31	0.01%
Short-term prepayments	40.49	1.26%	37.70	1.27%
Cash and cash equivalents	120.59	3.75%	117.49	3.96%
Fixed assets classified as held for sale	-	0.00%	-	0.00%
Total assets	**8 487.30**	**100.00%**	**8 065.79**	**100.00%**

Table 13: Eurocash Group: Mix of Assets

Table 14: Eurocash Group: Mix of Liabilities

PLN m	31.12.2021	%	31.12.2020	%
Equity	**786.60**	**9.27%**	**984.13**	**12.20%**
Equity attributable to Owners of the Company	**699.12**	**88.88%**	**916.41**	**93.12%**
Share capital	139.16	17.69%	139.16	14.14%
Treasury shares	-	0.00%	-	0.00%
Reserve capital	581.03	73.87%	581.03	59.04%
Treasury shares reserve	-	0.00%	-	0.00%
Hedging reserve	10.61	1.35%	(21.73)	-2.21%
Option for purchase/selling the shares	(115.84)	-14.73%	(49.56)	-5.04%
Retained earnings	84.15	10.70%	267.51	27.18%
Non-controlling interests	197.72	25.14%	224.41	22.80%
Profit (loss) for the period	(113.57)	-14.44%	43.10	4.38%
Non-controlling interests	87.48	11.12%	67.72	6.88%
Non-current liabilities	**2 493.45**	**32.38%**	**2 137.17**	**30,18%**
Long-term loans and borrowings	581.34	23.31%	463.87	21.70%
Long-term financial liabilities	125.00	5.01%	130.68	6.11%
Long-term lease liabilities	1 701.01	68.22%	1 523.81	71.30%
Other long-term liabilities	73.74	2.96%	3.65	0.17%
Deferred tax liabilities	-	0.00%	-	0.00%
Employee benefits	9.77	0.39%	11.79	0.55%
Provisions	2.60	0.10%	3.36	0.16%
Current liabilities	**5 207.25**	**67.62%**	**4 944.49**	**69.82%**
Loans and borrowings	223.53	4.29%	227.06	4.59%
Short-term financial liabilities	16.76	0.32%	31.84	0.64%
Short-term lease liabilities	400.78	7.70%	355.98	7.20%
Trade payables	3 854.07	74.01%	3 719.98	75.23%
Current tax liabilities	18.05	0.35%	11.79	0.24%
Other short-term payables	202.72	3.89%	171.19	3.46%
Current employee benefits	180.58	3.47%	166.53	3.37%
Provisions	310.75	5.97%	260.13	5.26%
Liabilities	**7 700.70**	**90.73%**	**7 081.66**	**87.80%**
Total equity and liabilities	**8 487.30**	**100.00%**	**8 065.79**	**100.00%**

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 2021.

Loans granted

In 2021, 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 2021.

Issue of Securities and Bonds in 2021

Issue of shares

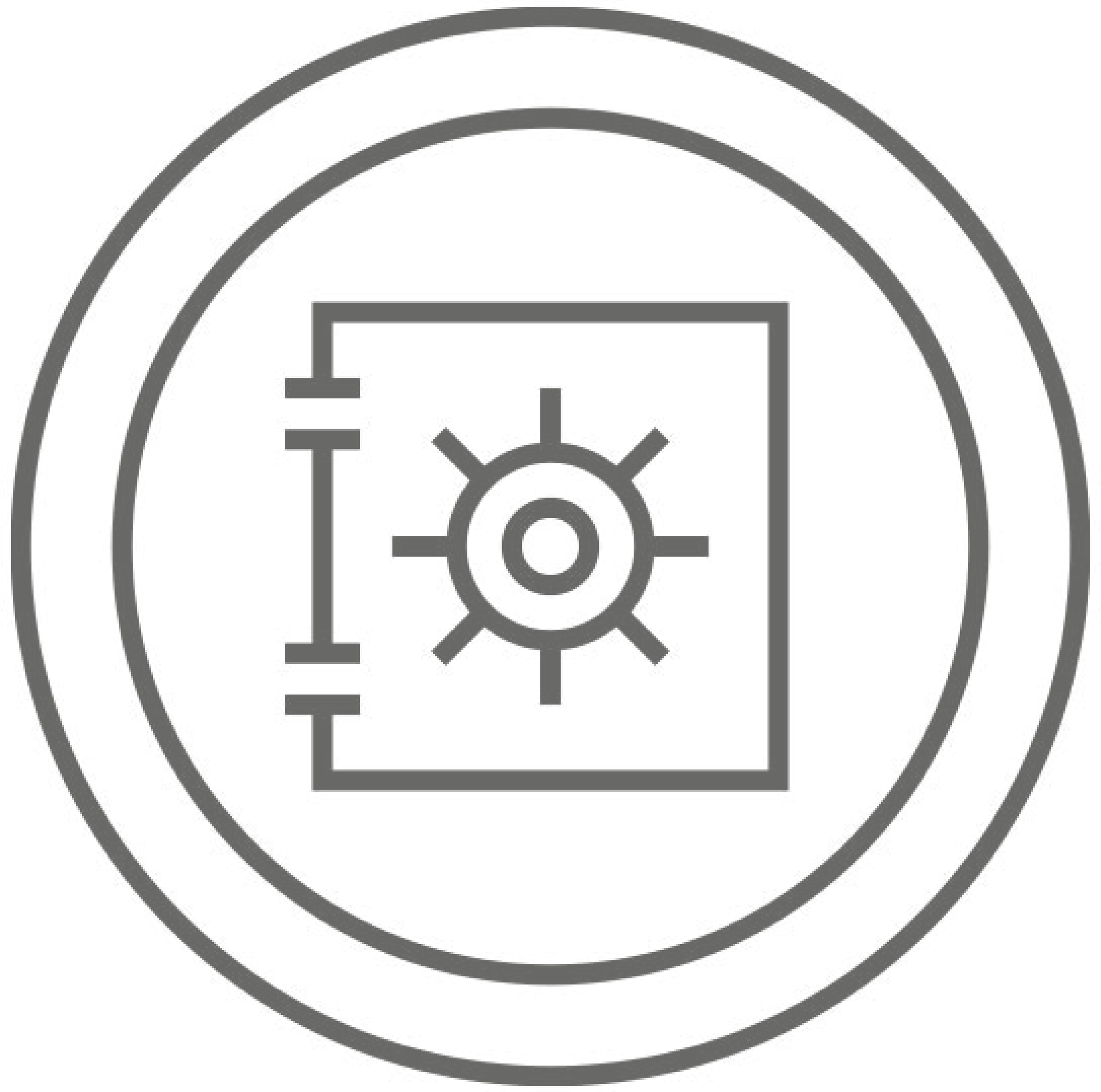
In the period between 1st January 2021 and 31st December 2021 no shares were issued

Issue of securities and bonds

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

4.5 Key Off-balance Sheet Items

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



4.6 Eurocash Group Cash Flow Analysis

Cash flow Statement

Table 15: Eurocash Group: Cash flows for 2021

PLN m	2021	2020
Operating cash flow	638.20	556.66
Gross profit (loss)	(0.94)	89.21
Depreciation	610.63	553.51
Change in working capital	(106.40)	(92.87)
Other	134.90	6.81
Cash flow from investments	(226.67)	(300.70)
Cash flow from financing activities	(408.43)	(285.14)
Total cash flow	3.10	(29.18)

Total cash flow in 2021 amounted to PLN 3.10 m, while the operating cash flow reached PLN 638.20 m. Cash flow from investments amounted to PLN -226.67 m and cash flow from financing activities amounted in 2021 to PLN -408.43 m.

Net debt of Eurocash Group at the end of December 2021 amounted to PLN 2 927.84 m. Before IFRS16 net debt amounted to PLN 857.85 m comparing to PLN 761.63 m at the end of December 2020. The net debt/EBITDA ratio calculated according to the rules of bank covenants was 2.35 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 16: Eurocash Group: Consolidated Working Capital Ratios

Turnover in days	2021	2020
1. Inventories turnover	21.33	19.64
2. Trade receivables turnover	18.50	18.87
3. Trade liabilities turnover	(61.50)	(61.73)
4. Operating cycle (1+2)	39.83	38.51
5. Cash conversion (4+3)	(21.67)	(23.22)

Cash conversion cycle in 2021 amounted to -21.65 days compared to -23.22 days in 2020. Changes of rotation of each part of working capital was mainly attributable to different sales mix together with fast growing tobacco and impulse products distribution format and the introduction of control mechanisms to adjust the rotation of liabilities to the requirements of the Act on amending certain laws to reduce payment congestion.

Evaluation of Funds Management

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

The Company applies the IRS. Analysis of these risk factors is presented in sections 2.1 and 2.3 of the additional information to the consolidated financial statements for 2021, which constitute a part of the Eurocash Group's annual report.

4.7 Investment Activity

Major investments Completed in 2021

In 2021 investments in the wholesale segment accounted for 38.5% and in the retail segment with a share of 21.4%.

Table 17: Eurocash Group: Key Investment Directions for Eurocash Group in 2021

PLN m	2021	2020
Capital investment (including acquisition of shares and stock)	68.70	153.11
Wholesale	105.05	109.22
Retail	58.29	55.45
Projects	40.60	23.35
Others	0.23	0.24
Total investment outlays	272.88	341.38

Assessment of Capacity to Carry out Anticipated Investments

Key investments planned for 2022 are related to:

- Organic growth within the current structure of business units, and in particular:
  - Development of Delikatesy Centrum franchise,
  - Investment in innovative sales systems for franchisees,
  - Progressive integration of logistics within the Company,
  - Further development of Frisco, Duży Ben, Kontigo, abc on wheels
- Replacement investment,
- 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. As at the balance sheet date, the Company does not have any obligations resulting from the above-mentioned capital expenditures incurred in 2022.

4.8 Key Contributors to 2021 Financial Performance of Eurocash Group

Equity Changes

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

Dividend Payment

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

5.1 Information on Court Proceedings

On October 2nd 2020, the Company received the Decision of the Chairman of UOKiK (the Office of Competition and Consumer Protection) dated September 28th 2020 on institution of proceedings against Eurocash S.A. for practices unfairly exploiting contractual advantage. When initiating the proceedings, the Chairman of UOKiK found it necessary to verify whether certain practices applied by Eurocash S.A. could be classified as abuse of contractual advantage. In the decision to initiate proceedings, the Chairman of UOKiK indicated two questionable forms of settlements between Eurocash S.A. and its suppliers, i.e. the charging of remuneration for (i) general network/sales support services, and (ii) market expansion services. As part of the ongoing proceedings, in response to the summons from the Chairman of the UOKiK, the Company informed that since 2017 it has not charged any remuneration for market expansion services, whereas in the period 01.01.2019. - 31.10.2020, it charged suppliers a total of approximately PLN 19 million for the provision of network-wide / sales support services. As part of the ongoing proceedings, we are responding to all questions from the Chairman of UOKiK and clarifying any doubts on an ongoing basis. The proceedings are at a very early stage; therefore, the Management Board of the Company is currently unable to assess the impact (including the financial impact) of the proceedings initiated by the Chairman of UOKiK. On 30 November 2021, the President of the Office for Competition and Consumer Protection issued a decision concluding that the Company had engaged in unfair contractual advantage practice consisting in requiring from suppliers of agricultural and food products fees for services which are not performed. On 30 November 2021, the President of the Office for Competition and Consumer Protection issued a decision in which he stated that the Company committed a practice of unfairly exploiting contractual advantage by charging suppliers of agricultural and food products for services which are not performed for them or which are performed but about which the suppliers are not informed, including their costs and results, and imposed a fine on the Company in the amount of PLN 76,019,901.23. The Company does not agree with the position of the President of OCCP, therefore on 30 December 2021 it appealed against the decision of the President of OCCP to the Court of Competition and Consumer Protection. The obligation to pay the fine imposed by the President of OCCP arises only after the decision becomes final, i.e. after the verdict of the Court of Second Instance (Court of Appeal) is issued. In the current conditions, the duration of proceedings from the moment of issuance of the decision to the moment of issuance of the final judgment by the Court of Appeal is about 4-5 years.

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

Crucial agreements

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

Agreement with suppliers exceeding 10% of total sales revenues

In 2021, the only supplier with a share in total sales revenues of Eurocash Group exceeding 10% was Philip Morris Polska Distribution Sp. z o.o., whose share amounted to 10.05%.

Strategic options review

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

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

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

5.3 Information on Transactions with Connected Entities

In 2021 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.

5.4 Forecasts Publication

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

5.5 Changes in Key Management Principles

Appointment of Member of the Management Board

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

In 2021 there were no other major changes in the basic management principles.In 2020 there were no other major changes in the basic management principles.

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

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

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

5.7 Information on Registered Audit Company

The consolidated financial statements of Eurocash Group for 2021 were audited by Ernst & Young Audyt Polska sp. z o.o. sp. k. on the basis of a contract concluded on 9th May 2019 for three years.

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

Table 18: Expenditures for audit and review of financial statements

thousands of PLN	2020	2021
Audit of financial statements	1 215.0	1 965.0
Review of financial statements	270.0	270.0
Other services	95.0	145.0
Total	**1 580.0**	**2 380.0**

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 2021", which constituting an attachment to the Resolution No. 13/1834/2021 of the Stock Exchange Council dated 29th March 2021 (hereinafter referred to as "Good Practices"), available on the following website https://www.gpw.pl/best-practice.

In the financial year ended on December 31st, 2021, the Company complied with the corporate governance principles set out in the document „Good Practices for Companies listed on WSE 2021" in accordance with the statement posted on the website:

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

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

- 1.4.2. present the value of the equal wage ratio paid to its employees, calculated as the percentage difference between the average monthly remuneration (including bonuses, awards and other allowances) of women and men for the last year, and provide information on actions taken to eliminate any inequalities in this respect, along with with the presentation of related risks and the time horizon in which it is planned to achieve equality.

Comment:
Eurocash Group Ethics Principles and Work Regulations contain provisions, inter alia, on counteracting discrimination based on sex, age, disability, religion or belief, sexual orientation, race, ethnic origin, nationality, political beliefs, trade union membership or type of employment.

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

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

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

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

- 3.6. The head of internal audit reports organisationally to the president of the management board, and functionally to the president of the audit committee or the president of the supervisory board, if the board performs the function of the audit committee.

Comment:
Head of the internal audit unit:
1) has direct contact with members of the management board and supervisory board;
2) participates in management board meetings;
3) participates in the meetings of the supervisory board and the audit committee, if the subject of the meeting are issues related to the risk management system, internal audit, internal control, ensuring compliance with the law.

- 5.5. If the transaction of the company with a related entity requires the consent of the supervisory board, before adopting a resolution on granting consent, the board assesses whether it is necessary to first consult an external entity that will evaluate the transaction and analyze its economic effects.
-

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

- 5.6. If the conclusion of a transaction with a related entity requires the consent of the general meeting, the supervisory board prepares an opinion on the validity of the conclusion of such transaction. In such a case, the council assesses the necessity to first consult an external entity referred to in the principle.

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

- 5.7. If a decision on the conclusion by the company of a significant transaction with a related entity is made by the general meeting, before making such a decision, the company provides all shareholders with access to information necessary to assess the impact of this transaction on the company's interest, including the opinion of the supervisory board referred to in principle 5.6.

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

6.2 Shareholders structure

Shareholders with Direct or Indirect Substantial Shareholding in Eurocash

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

Table 19: Shareholders with Direct or Indirect Substantial Shareholding in Eurocash

	31.12.2021				31.12.2020			
Shareholder	Number of shares	Share in share capital (%)	Number of shares	Share in total number of votes	Number of shares	Share in share capital (%)	Number of shares	Share in total number of votes
Luis Amaral (directly and indirectly*)	61 287 778	44.04%	61 287 778	44.04%	61 287 778	44.04%	61 287 778	44.04%
Others	77 875 508	55.96%	77 875 508	55.96%	77 875 508	55.96%	77 875 508	55.96%
Total	**139 163 286**	**100.00%**	**139 163 286**	**100.00%**	**139 163 286**	**100.00%**	**139 163 286**	**100.00%**

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

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

The number of company shares held by the management and supervisory members as at 31.12.2021 was as follows:

Table 20: Shares in the company held by members of the management board and their rights to subscription

	Eurocash shareholding		Share subscription rights	
Management board	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Paweł Surówka	-	-	-	-
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	0	0
Tomasz Polański	-	-	0	-
Dariusz Stolarczyk	-	-	0	-

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

Table 21: Shares in the company held by supervisory board and rights to subscription

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

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

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

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

Restrictions regarding Exercising Right to Vote

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

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

Restrictions regarding Transfer of Ownership Rights to Securities of Issuer

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

Agreements which May Result in Changes of Blocks of Shares Held

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

6.3 Diversity in the workplace

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

6.4 The parent's governing bodies

Management Board

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

The Company's management body is the Management Board. The Management Board of the Parent was composed of eight members in 2021. The composition of the Management Board at the day of December 31st 2021 is presented below.

Table 22: The composition of the Management Board at the end of 2021

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

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

Powers of the Management Board

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

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

- **I.** determine the long- and medium-term development strategy as well as main objectives of the Company operations, increase the Company value to the shareholders and report them to the Supervisory Board, review the level of achievement of such goals and modify them if necessary,
- **II.** define the Company's financial goals,
- **III.** implement and follow through the long- and medium-term development strategy as well as the main Company's operating objectives and financial goals,
- **IV.** analyze major investment projects and related methods of funding,
- **V.** determine the principles of HR and remuneration policies, including:
  - appointment of the Company's key management staff,
  - determining principles of employment, remuneration, and HR policies, as well as conducting a periodical analysis of the HR situation in the Company,
- **VI.** establish the Company's organizational structure,
- **VII.** approve the annual and/or long-term Company's budget,
- **VIII.** determine an internal division of duties and responsibilities for Management Board Members,
- **IX.** set down Rules and other internal regulations of the Company unless the provisions of law or Articles of Association provide otherwise,
- **X.** take decisions on matters of exceptional importance as well as matters and transactions which may constitute material risk to the Company in line with the justified opinion of the Management Board Member,
- **XI.** request that the Supervisory Board submit an appraisal of draft resolutions which are to be presented to Shareholders at the Shareholders' Meeting,
- **XII.** any other actions which go beyond the ordinary management of the Company.

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

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

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

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

Information on remuneration paid to the members of the Management Board in 2021 is provided in the section of the annual report which contains the annual consolidated financial statements, in Note 32.

Supervisory Board

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

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

The composition of the Supervisory Board in the period January 1st – December 31st 2021 was as presented in the table below.

Table 23: The composition of the Supervisory Board in 2021

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

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

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

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

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

Powers of the Supervisory Board

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

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

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

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

entity in which the Company is a majority shareholder.

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

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

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

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

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

Information on remuneration paid to the members of the Supervisory Board in 2021 is provided in the section of the annual report which contains the annual consolidated financial statements, in Note 33.

Supervisory Board Committees

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

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

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

Responsibilities of the Audit Committee include as follows:

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

cess; 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 01.01.2021 - 31.12.2021: Mr Jorge Mora (Chairman of the Audit Committee), Mr Francisco José Valente Hipólito dos Santos (Member of the Audit Committee) and Mr Przemysław Budkowski (Member of the Audit Committee).

Responsibilities of the Remunerations Committee include as follows:

I. reporting to the Supervisory Board of the existence of a remuneration policy for the Management Board, which is known to the Remunerations Committee in sufficient detail, including (a) the remuneration structure, (b) the amount of fixed remuneration, (c) the shares and/or options and/or other variable remuneration components and other forms of remuneration, as well as the performance criteria and the application thereof by Management Board Members,
II. each year, submitting a proposal for the Supervisory Board's approval for an appraisal concerning the compliance of the remuneration policy for the Management Board and application thereof with regard to the desired standards of corporate governance,
III. ensuring the disclosure to the Supervisory Board of the remuneration of the Management Board resulting from an implementation of the remuneration policy,
IV. each year, submitting a self-assessment in the form of an annual report of its performance to be included as part of the Supervisory Board's annual report and to be presented at the Ordinary General Meeting of Shareholders.

The members of the Remuneration Committee during the period 01.01.2021 - 31.12.2021 were: Mr. Renato Arie (Chairman of the Remuneration Committee), Mr. Francisco José Valente Hipólito dos Santos (Member of the Remuneration Committee) and Mr. Przemysław Budkowski (Member of the Remuneration Committee).

Responsibilities of the Nomination Committee include as follows:

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

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

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

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

The members of the Nominations Committee for the period 01.01.2021 - 31.12.2021 were: Mr. Hans Joachim Körber (Chairman of the Nomination Committee), Mr. Renato Arie (Member of the Nomination Committee) and Mr. Jorge Mora (Member of the Nomination Committee).

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

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

General Shareholders' Meeting

The manner of conduct applicable to the General Shareholders' Meeting and its fundamental powers follow directly from the provisions of law which were partly incorporated in the Statutes and By-laws of the Company's General Shareholders' Meeting. Both the Statutes and the By-laws of the General Shareholders' Meeting are available on the Company's website at the following link:

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

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

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

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

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

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

6.5 Discussion of Amendments to Issuer's Statutes

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

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

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

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

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

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

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

6.7 Information on Employee Shares Control System

Company has no employee shares.

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

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

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

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

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

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

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

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

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

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

The Management Board of the Controlling Entity systematically evaluates the quality of internal control and risk management systems in relation to the process of drafting consolidated financial statements. In line with such evaluation, the Management Board of the Controlling Entity declared that as at December 31st, 2021 no weaknesses existed which could have a material adverse effect on the effectiveness of internal controls as far as financial reporting is concerned.

6.9 Information regarding Audit Committee

1. The following members of the Audit Committee meet the statutory independence criteria, in period from 1st January 2021 to 31st December 2021 Mr. Jorge Mora (Chairman of the Audit Committee) and Mr. Przemysław Budkowski.

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

- Mr. Francisco José Valente Hipólito dos Santos – has a third-level education with a specialist area in Business Management. He completed his studies in 1984 at the Portuguese Catholic University in Lisbon (Universidade Católica Portuguesa). Between 1999 and 2003 he was a member of the management board of Barclays Bank in Portugal. In years 2003 and 2006 he was managing Marketing Department in Banco Espirito Santo PLC and between 2007 and 2011 he was director in Savings Department of that bank. In the period of 2011 – 2012 Mr Santos was Managing

Director in Banco BEST PLC. Since the beginning of 2013 he was a Non-managing Director and management board advisor to international cases in Banco Espirito Santo PLC until August 2014, when he assumed the function of Compliance Officer at Novo Bonco, which he held until June 2017. Then he held managerial positions in many companies from various sectors, including the real estate, travel and FMCG sector. Mr. Francisco José Valente Hipólito dos Santos since 2013, he is a member of the Eurocash Supervisory Board.

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

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

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

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

4. The policy of selecting an audit firm

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

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

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

5. The Audit Committee in 2021 held four meetings: on March 10th, March 21st, 22nd November, August 24th .

7.1 Business model

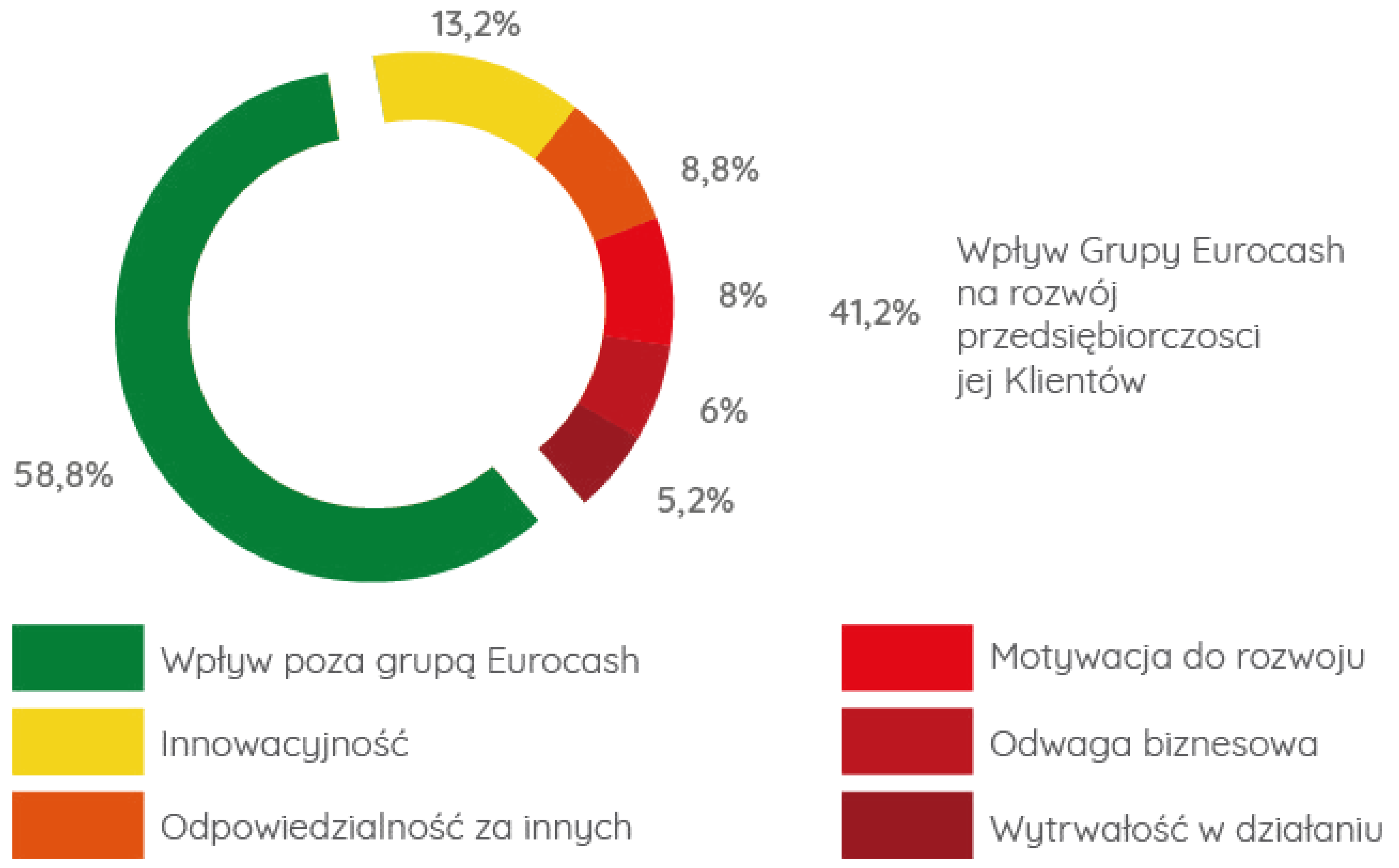
Eurocash Group is the largest Polish company dealing in wholesale distribution of FMCG products and supporting Entrepreneurs and independent retail trade throughout the country. We have been on the Polish market for 27 years. By combining our business experience, the involvement of Eurocash Group employees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

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

Currently, our Group cooperates with over 89 thousand Clients and is an employer for about 20 thousand people.

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

Chart 12.



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

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

Table 24. 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 • Support for succession and young Entrepreneurs, increasing the number of people employed in trade • Increasing the role of Entrepreneurs in society by promoting their activities for society • Creating conditions for the development of innovative solutions for small and medium-sized entrepreneurs.	Building responsible entrepreneurship that ensures sustainable development of the society and economy of the entire country.	8 WZROST GOSPODARCZY I GODNA PRACA 9 INNOWACYJNOŚĆ, PRZEMYSŁ, INFRASTRUKTURA
Quality without compromise for everyone and preventing food waste	• Providing the highest quality products • Ensuring product safety • Providing consumers with products that are always of good quality, safe and at an affordable price • Building a responsible supply chain • Ensuring continuity of the supply chain • Limiting food waste	Delivering safe, high-quality food to every customer (who owns the store) and the widest possible group of consumers throughout Poland and reducing food waste.	12 ODPOWIEDZIALNA KONSUMPCJA I PRODUKCJA
We use less	• Reducing CO2 emissions by reducing fuel and energy consumption	Reduction of CO2 emissions	2 ZERO GŁODU 13 DZIAŁANIA W DZIEDZINIE KLIMATU
Safety, health and involvement of employees	• Ensuring safety in the workplace • Strengthening employee involvement and development	Creating the best working conditions for everyone	8 WZROST GOSPODARCZY I GODNA PRACA

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

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

References to social and employee issues, the natural environment, respect for human rights and counteracting corruption are of key importance for activities in the area of non-financial activity. The Eurocash Group's risk management system covers all aspects of the operations of its units. This system focuses both on internal and external areas, and at the same time takes into account, among others, the impact of the Group's operations in relation to social and employee issues, the natural environment, respect for human rights and counteracting corruption. The Group's risk management is based on a number of procedures and internal policies, as well as on complementary and systematic internal control tasks by designated resources. In addition, the company has an internal audit in place to ensure the quality and effectiveness of these controls.

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

- 1.4.2. present the value of the equal wage ratio paid to its employees, calculated as the percentage difference between the average monthly remuneration (including bonuses, awards and other allowances) of women and men for the last year, and provide information on actions taken to eliminate any inequalities in this respect, along with with the presentation of related risks and the time horizon in which it is planned to achieve equality.

Comment:
Eurocash Group Ethics Principles and Work Regulations contain provisions, inter alia, on counteracting discrimination based on sex, age, disability, religion or belief, sexual orientation, race, ethnic origin, nationality, political beliefs, trade union membership or type of employment.

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

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

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

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

• 3.6. The head of internal audit reports organisationally to the president of the management board, and functionally to the president of the audit committee or the president of the supervisory board, if the board performs the function of the audit committee..

Comment:
Head of the internal audit unit:
1) has direct contact with members of the management board and supervisory board;
2) participates in management board meetings;
3) participates in the meetings of the supervisory board and the audit committee, if the subject of the meeting are issues related to the risk management system, internal audit, internal control, ensuring compliance with the law.

• 5.5. If the transaction of the company with a related entity requires the consent of the supervisory board, before adopting a resolution on granting consent, the board assesses whether it is necessary to first consult an external entity that will evaluate the transaction and analyze its economic effects.

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

• 5.6. If the conclusion of a transaction with a related entity requires the consent of the general meeting, the supervisory board prepares an opinion on the validity of the conclusion of such transaction. In such a case, the council assesses the necessity to first consult an external entity referred to in the principle.

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

• 5.7. If a decision on the conclusion by the company of a significant transaction with a related entity is made by the general meeting, before making such a decision, the company provides all shareholders with access to information necessary to assess the impact of this transaction on the company's interest, including the opinion of the supervisory board referred to in principle 5.6.

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

EU Taxonomy

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

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

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

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

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

Table 23: Risk management system

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

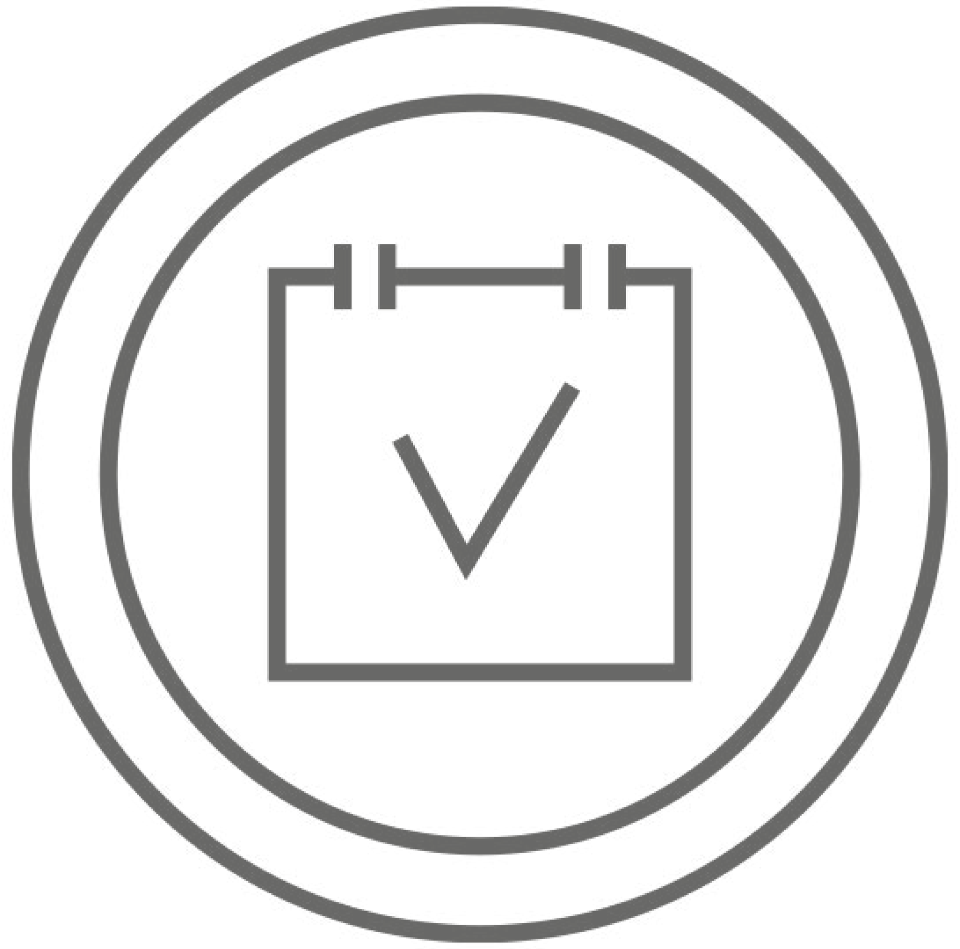
	a warehouse, etc.)	crisis situations (fire, evacuation, etc.) • Providing AED (defibrillator) devices in the Group's facilities with a large number of employees • Protection against access by third parties and protection of objects • Ensuring the physical protection of employees and facilities • Systematic 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	• 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 busi-

	• 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	ness") • 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 2021.

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



APPENDIX 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	Paweł Surówka	14th April 2022	
Management Board Member	Tomasz Polański	14th April 2022	
Management Board Member	Arnaldo Guerreiro	14th April 2022	
Management Board Member	Dariusz Stolarczyk	14th April 2022	
Management Board Member	Pedro Martinho	14th April 2022	
Management Board Member Human Resources Director	Katarzyna Kopaczewska	14th April 2022	
Management Board Member Financial Director	Jacek Owczarek	14th April 2022	
Management Board Member	Przemysław Ciaś	14th April 2022	
Management Board Member	Noel Collett	14th April 2022	

EUROCASH GROUP

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e-mail: eurocash@eurocash.pl
https://grupaeurocash.pl/en/about-eurocash/responsible-business

PART C

SELECTED CONSOLIDATED FINANCIAL DATA

FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

KOMORNIKI, 14th April 2022

Selected consolidated financial data

	for the period from 01.01.2021 to 31.12.2021 PLN	for the period from 01.01.2020 to 31.12.2020 PLN	for the period from 01.01.2021 to 31.12.2021 EUR	for the period from 01.01.2020 to 31.12.2020 EUR
Sales	26 281 430 813	25 398 595 604	5 754 133 821	5 714 226 873
Operating profit (loss)	97 529 666	231 714 676	21 353 432	52 131 632
Profit (loss) before income tax	(939 707)	89 206 421	(205 742)	20 069 839
Profit (loss) for the on continued operations	(99 342 435)	49 359 200	(21 750 325)	11 104 932
Profit (loss) for the period	(99 342 435)	49 359 200	(21 750 325)	11 104 932
Net cash from operating activities	638 195 697	556 662 297	139 728 444	125 238 998
Net cash used in investing activities	(226 665 078)	(300 697 430)	(49 626 719)	(67 651 510)
Net cash used in financing activities	(408 431 715)	(285 142 920)	(89 423 242)	(64 152 025)
Net change in cash and cash equivalents	3 098 904	(29 178 053)	678 483	(6 564 537)
Weighted average number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Weighted average diluted number of shares	139 163 286	139 163 286	139 163 286	139 163 286
EPS (in PLN / EUR)	(0,82)	0,31	(0,18)	0,07
Diluted EPS (in PLN / EUR)	(0,82)	0,31	(0,18)	0,07
Average PLN / EUR rate*			4,5674	4,4448

	as at 31.12.2021 PLN	as at 31.12.2020 PLN	as at 31.12.2021 EUR	as at 31.12.2020 EUR
Assets	8 487 298 750	8 065 788 761	1 845 305 638	1 747 808 954
Non-current liabilities	2 493 454 819	2 137 167 826	542 126 107	463 111 690
Current liabilities	5 207 247 755	4 944 494 202	1 132 158 054	1 071 442 793
Equity	786 596 177	984 126 731	171 021 476	213 254 471
Share capital	139 163 286	139 163 286	30 256 835	30 155 865
Number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Diluted number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Book value per share (in PLN / EUR)	5,02	6,59	1,09	1,43
Diluted book value per share (in PLN / EUR)	5,02	6,59	1,09	1,43
Dividends paid (in PLN / EUR)	76 205 775	3 323 004	16 568 634	720 075
Dividends paid per share (in PLN / EUR)	0,55	0,02	0,12	0,01
PLN / EUR rate at the end of the period**			4,5994	4,6148

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

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

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

PART D

AUDITOR'S OPINION & REPORT

KOMORNIKI, 14th April 2022

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1
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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 S.A. Group (the 'Group'), for which the parent company is Eurocash S.A. (the 'Parent Company') located in Komorniki at Wiśniowa 11 street, which comprise the general information, the consolidated income statement, the consolidated statement of comprehensive income for the period from 1 January 2021 to 31 December 2021, the consolidated statement of financial position as at 31 December 2021, the consolidated statement of cash flows and the consolidated statement of changes in equity for the period from 1 January 2021 to 31 December 2021 and the additional information to the consolidated financial statements (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 2021 and its consolidated financial performance and its consolidated cash flows for the period from 1 January 2021 to 31 December 2021 in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union and the adopted accounting policies,
- comply in respect of the form and content with laws applicable to the Group and the Parent Company's Articles of Association.

The opinion is consistent with the additional report to the Audit Committee issued on 14 April 2022.

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.

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 EU Regulation 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 our audit responded to this matter
Revenue recognition	
In the consolidated financial statements, the Group presents sales revenues in the total amount of approximately PLN 26,281 million. The Group companies sell goods to many customers using various sales channels distributed among business units within several operating segments. These revenues are reduced by discounts, bonuses, incentives and rebates, the size of which depends on i.e. turnover. Revenues are one of the key indicators for the Management Board of the Parent Company to measure operational efficiency. Due to the multitude and diversity of contract terms and markets in which the Group companies operate, the determinants of revenues, such as estimating discounts, incentives and rebates recognized based on the level of sales, as well as assessing potential returns - are complex. Taking into account the materiality of the amounts and the complexity of the estimates, we considered the above issue to be a key	The audit procedures included an understanding of the Group's accounting policy (principles) regarding the recognition and measurement of revenues, and an assessment of their compliance with IFRS 15 Revenue from contracts with customers, including the identification of contracts with customers and performance obligations, as well as the allocation of the transaction price to contractual obligations. We also assessed the Group's internal controls on the sales process, the moment of recognition and measurement of recognized revenues. We have analyzed transactions before and after the balance sheet date, estimates of provisions for retro-rebates made at the balance sheet date, as well as credit notes and adjustments issued after the balance sheet date to determine the correctness of the measurement of revenue recognized. We also reviewed the key terms of customer

audit matter. The Group's disclosures regarding the recognition of revenue are set out in sections 2.1.5. "Judgments, estimates and assumptions", 2.2.19. "Trade receivables and other short-term receivables", 2.2.28 "Revenues from sales" of accounting policies and in notes 14 "Trade receivables and other receivables" and 26 "Sales revenues generated in the reporting period" in the consolidated financial statements.	contracts to assess whether the amounts recognized as commercial revenue were correct and recognized in the proper period. We have also carried out appropriate analytical procedures and reliability tests for selected revenue accounts and trading settlements, including confirmation of receivables balances. We also considered the appropriateness of the disclosures in the consolidated financial statements in relation to revenue.
Recognition of bonuses, discounts and related receivables In the consolidated financial statements, the Group presents the cost of sales in the amount of approximately PLN 22,872 million. The Group companies receive from suppliers various types of bonuses, rebates and discounts as well as price reductions that are accounted for the price of goods purchased by the Group. These settlements are an important component of the cost of sales. Most of them are settled with suppliers during the financial year. As at 31 December 2021, unsettled bonuses, discounts and bonuses with suppliers amounted to approximately PLN 546 million. Bonuses, rebates and related settlements were relevant to our audit because the recognition of cost adjustments and related settlements requires management judgement, including the nature and level of the Group company's liabilities under purchase agreements, estimates of purchase execution and sales volumes at the balance sheet date, and the allocation of estimated cost of acquisition to inventories and cost of sales in the period.	The audit procedures included an understanding of the Group's accounting policy (principles) for determining the cost of goods and the cost of sales and an assessment of the policy's compliance with applicable accounting standards. We also assessed the Group's internal controls on the identification and valuation of contractual obligations and their allocation to inventories and cost of sales. For the selected sample, we conducted tests of transactions recorded during the year consisting in agreeing these items to the source purchase documentation. We also analyzed the positions open to selected suppliers at the balance sheet date on the basis of confirmations, correspondence and additional arrangements with suppliers, recalculation of the bonus amount based on contractual terms confirmed by suppliers or agreed for settlements made after the end of the year, and we also performed tests of the correctness of assigning settlements to a given reporting period based on the analysis of the fulfillment of contractual obligations up to the

Given the scale of these settlements and the complexity of the estimates, we rated this area as a key audit matter. Disclosures regarding settlements with suppliers are included in section 2.2.19 "Trade receivables and other current receivables", in section 2.2.25 "Current liabilities", in note 14 "Trade receivables and other receivables" and in note 20 "Trade liabilities and other liabilities" to the consolidated financial statements.	balance sheet date. We also assessed the reliability of management estimates based on an analysis of the actual settlement in the current year of the bonuses items recognized in the previous reporting period. We also considered the adequacy of disclosures in the consolidated financial statements for cost of sales and related settlements.
Inventory valuation and existence As at 31 December 2021, the value of inventories recognized in the consolidated statement of financial position amounted to approximately PLN 1,536 million, and the write-down of their value to the level of net realizable value amounted to PLN 51 million. The issue of inventory valuation was identified as a key audit matter due to the significant value of the items for the consolidated financial statements, the significant number of locations where inventories are held, as well as due to the professional judgment of the Management Board of the Parent Company regarding the valuation of inventories, including the determination of the cost taking into account the allocation of bonuses from suppliers and the assessment of the impairment associated with the valuation of inventories at a value not exceeding the net realizable value, which is affected by significant judgments in terms of inventory turnover indicators, sales prices possible to obtain and costs of disposal, as well as inventory taking into account, among others, best-before date. Disclosures related to the measurement of inventories at values not exceeding the net	In the course of our audit, we gained an understanding of the process of recognizing and analyzing the value of inventories at cost and confirming their existence, as well as assessing impairment. In addition, we assessed internal control and performed other verification procedures. In particular, we analyzed the accounting policies regarding the recognition of inventories in the purchase price and the recognition of write-downs of inventories, including net realizable values and, on the basis of selected samples, we performed the following procedures regarding the valuation of inventories and confirmation of their existence: • analysis of the process of determining the purchase price, taking into account the allocation of bonuses from suppliers to individual product categories, • direct participation in selected physical inventory stocktakings, • assessment of internal control procedures in the Group regarding the confirmation of the existence of inventories, including mandatory annual inventory procedures performed by inventory management

realizable value are included in section 2.2.16 "Inventories" and note 13 "Inventories" in the consolidated financial statements.	departments, as well as additional control procedures performed in the Group, • analysis of net realizable value, as well as historical data on realized margins on sales and write-downs recognized in previous periods to the value achievable, • analysis of the use of write-downs of inventories recognized in the previous reporting period, • analysis of other factors and assumptions regarding write-downs of inventories, such as inventory turnover ratios and best before date. We also considered the appropriateness of inventory disclosures in the consolidated financial statements.
Going concern assumption – liquidity risk analysis The attached consolidated financial statements were prepared on the assumption that the Parent Company and the Group companies would continue their business activity in the foreseeable future, i.e. for a period of at least 12 months from the end of the reporting period. Due to the circumstances described in point 2.1.8. 'going concern' in the consolidated financial statements of the factors affecting the financing structure and financial liquidity of the Group, which occurred in the financial year ended 31 December 2021 and after the balance sheet date, including, among others, a reduction in the available limits of reverse factoring, availability of short-term loans, ongoing negotiations on commercial terms with suppliers, analysis of the possibility of obtaining new forms of financing in financial institutions, the lack of realisation of budgets in the Retail segment, and in connection with the	As part of our audit, we performed, among others, the following procedures: - we have read the analysis of the Management Board and discussed with the Management Board of the Parent Company the results of the continuation of operations analysis carried out by the Management Board, including the Management Board's assessment as to the possibility of renewing credit lines and reverse factoring, as well as the impact of the effects of the SARS-Cov-2 coronavirus epidemic and the war in Ukraine on the planned cash flows, made on the basis of an analysis of negative scenarios that may affect the company's and the Group's operations after the balance sheet date, - we analyzed the budget and forecasts of short-term cash flows for 2022 and the first quarter of 2023, taking into account the assumptions of alternative scenarios (the so-called alternative scenario assumptions -

ongoing SARS-Cov-2 coronavirus epidemic, the Management Board of the Parent Company assessed the impact of the circumstances on the going concern, including future cash flows, at the time of preparation of the consolidated financial statements, by analyzing possible negative scenarios of the impact of the market situation on the future cash flows of the Group as a whole. Given the importance of liquidity and going concern and the fact that management's assessment includes estimates, plans and forward-looking assumptions, we considered this to be a key audit matter. In point 2.1.8 "Continuation of operations" of general information to the consolidated financial statements, the Management Board of the Parent Company disclosed the factors and activities taken underlying the the preparation of the consolidated financial statements of the Group on the assumption of going concern, as well as in note No. 37 "Financial risk management" disclosures regarding financial risk, including liquidity risk, were included.	stress tests) and we have assessed the assumptions of alternative scenarios adopted by the Management Board of the Parent Company, - we have read the terms of loan agreements and the amounts of financing available to the Group, including the terms of agreements for credit and factoring facilities, and we have read the correspondence with financial institutions regarding the possibility of obtaining new lines of financing in the form of receivables factoring lines, new reverse factoring lines as well as the extension of selected short-term credit limits. - we have read the business plans of the Management Board of the Parent Company and the minutes of the meetings of the Management Board, the Supervisory Board and the General Meetings, as well as we have discussed these plans with the Management Board of the Parent Company and assessed the reliability of the data included for the purpose of preparing forecasts and determined whether there is a rational justification for the assumptions underlying the preparation of forecasts, - we have performed reconciliation procedures for current level of cash as at 31 March 2022, the availability of financing within the Group, the actions taken to maintain financing for the activities of the Parent Company and the Group companies and obtaining new forms of financing in the form of receivables factoring and reverse factoring, - we have performed procedures for reconciliation of selected items of the Group's financial position statement as at 31 March 2022 and other procedures for reviewing events after the balance sheet date, including discussion with the Management Board of the Parent Company of possible events after the balance sheet date that could materially affect and modify the going concern assumption and

	obtained relevant written statements - with the support of specialists in the field of financial modeling, we have verified the financial models prepared by the Management Board, including cash flows and the level of debt of the Group, including alternative scenarios including reductions in trade credit limits, available credit lines and reverse factoring limits, as well as reductions in sales and gross margins, - we have obtained written statements of the Management Board of the Parent Company regarding the prepared plans and assumptions, - we have considered whether the assessment made by the Management Board of the Parent Company takes into account all material information that we have obtained as a result of the audit until the date of our audit opinion. We have assessed the adequacy of disclosures related to the liquidity of the Group (the Company and its subsidiaries) and the assumption of the Group's continued operations included in the consolidated financial statements,
Impairment of assets The carrying amount of non-current assets recognised in the statement of the Group's financial position as at 31 December 2021 amounts to PLN 5,268 million, and the carrying amount of goodwill and other intangible assets, including trademarks with an indefinite useful life recognized in the statement of the Group's financial position as at 31 December 2021 amounts to PLN 2,473 million and constitutes 29% of the total assets. The company recognises assets at cost, including goodwill recognised at the time of	With regard to the issue of impairment of non-financial assets, we have carried out, inter alia, the following procedures: • understanding and analysis of the processes functioning in the Company regarding the recognition of goodwill and intangible assets, as well as accounting policy, • understanding and assessing the appropriateness of identifying cash generating units and allocating individual assets to these units,

acquisition of the subsidiary, including any impairment losses. In accordance with International Accounting Standard 36 Impairment of Assets ("IAS 36"), the Management Board of the Company, if indicators of impairment are identified, is obliged to conduct an impairment test for assets. The impairment test of these assets is carried out by comparing the book value of the assets or cash flow generating units to which these assets are linked to the recoverable amount.

The areas of respect and professional judgment of the Company's Management Board concern, among others:

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

The Group has included a description of its accounting policy regarding the recognition of goodwill and intangible assets in section 2.2.6. "Intangible assets", section 2.1.5. "Judgments, estimates and assumptions". Disclosures

- understanding and analysis of the process of identification by the Management Board of the Parent Company of the indicators of impairment for assets not subject to mandatory tests, as well as analysis of the identification of impairment indicators made by the Management Board (especially at the level of individual stores).

In addition, with the support of specialists in the field of financial modeling, we verified the financial models presented by the Management Board of the Parent Company, including:

- analysis of the assumptions of the Management Board of the Parent Company regarding financial forecasts (including i.e. forecasted cash flows) used in financial models,
- analysis of the methodology and arithmetic correctness of the model used to determine the value in use of cash generating units,
- assessment of the appropriateness of the discount rate used in financial models,
- analysis of key measurement parameters in the case of using fair value less cost of disposal as the basis for recoverable amount,
- analysis of the sensitivity of test results to the change of key parameters.

In addition, we assessed the adequacy and completeness of the disclosures made, including the sensitivity analysis, presented in Note 7 "Impairment Tests of Assets".

regarding the impairment test of assets are presented in note 7 "Tests for impairment of assets", where the key assumptions and test results are explained along with sensitivity analysis.	
Uncertain tax positions	
Companies from the Eurocash Group are parties to transactions that may be subject to control by tax authorities. These include related party transactions such as the purchase/sale of commercial goods, restructuring within the Eurocash Group and the acquisition of shares and intangible assets such as goodwill and trademarks. The interpretation of settlements between parties related by external bodies (including tax authorities) may differ from the interpretation adopted by the Management Board of the Parent Company. In Polish tax law, the general anti-tax avoidance rule (GAAR) applies. The purpose of GAAR is to prevent the creation and use of artificial legal arrangements to avoid payment of tax in Poland and it is also effective with respect to transactions carried out after its entry into force, as well as transactions that were carried out earlier, but the benefits are achieved after the date of its entry into force. The implementation of the above provisions resulted in increased control of tax authorities in the field of tax settlements, in particular with regard to restructuring and reorganization of capital groups, etc. Due to the complexity of tax law provisions, including in the light of the indicated clause, the interpretation of tax settlements, including between related parties, is a complicated	Our procedures included understanding the process of preparing tax settlements by the Group companies and the related accounting policy and assessing the identification of key tax issues related to the activities of the Group companies. We have also read the justification for the judgment of the Management Board of the Parent Company regarding uncertain tax positions, including reports of external tax advisors. In particular, we assessed management's estimates of tax regulations, taking into account relevant interpretations, rulings and decisions, income tax and VAT practices and the results of audits by tax authorities. We obtained explanations from management and evidence, including correspondence with tax control authorities, relevant calculations and copies of reports by external tax advisors. With the help of our tax experts, we assessed the professional judgment of the Management Board of the Parent Company in the context of tax law, current practice and legal interpretations. We assessed the assumptions adopted by the Management Board of the Parent Company regarding the determination of liabilities presented in the consolidated financial statements and the justification for the non-recognition of liabilities by obtaining written answers from external tax advisors of the

process, based on judgments and assumptions. Taking into account the above, the interpretation chosen by external bodies (including tax authorities) may differ from the one adopted by the Management Board of the Parent Company. In the current and previous reporting period, tax audits and proceedings concerning the Group companies, including VAT and CIT, were commenced or ongoing. The values of tax settlements related to these audits are significant. Uncertainty related to tax settlements also results from the complex legal structure of the Eurocash Capital Group and the changing tax environment in which the Company and other companies from the Eurocash Group operate. The assessment of tax risk is complex and requires significant judgment of the Management Board of the Parent Company when determining corporate income tax liabilities and other tax liabilities. Changes to the assumptions regarding tax items that may be adopted by tax control authorities may have a significant impact on the level of tax liabilities recognized in the consolidated financial statements. The Group's disclosures regarding uncertain tax positions are set out in point 2.2.32. "Assessment of uncertainty regarding tax settlements" and note no. 24 "Income tax" to the consolidated financial statements.	Group companies regarding tax risk. We also assessed disclosures regarding taxes, including uncertain tax items in the consolidated financial statements.
Recognition & valuation of contracts under IFRS 16 "Leasing" The value of right-of-use assets in the consolidated statement of financial position of the Group as at 31 December 2021 amounts to PLN 1,942 million, while the value of lease	As part of the audit of the consolidated financial statements, we analyzed accounting policies regarding the recognition of contracts and business relationships falling within the

liabilities recognized under IFRS 16 is PLN 2,102 million.

Recognition of leases in accordance with International Financial Reporting Standard 16 Leases ("IFRS 16") requires an analysis of contracts, as well as a number of judgments and estimates related to determining whether a contract is within the scope of IFRS 16 and how it should be recognized in accordance with this Standard (among other, for determining the scope of application of the Standard, lease periods, lease payments or discount rates).

Disclosures of right-of-use assets and lease liabilities related to the application of IFRS 16 are presented in Note 6, “Right-of-Use Assets”, and Note 23, “Lease Liabilities”, in additional explanatory notes to the consolidated financial statements.

The Group's disclosures regarding relevant accounting policies with respect to leasing, including key judgments and estimates, are set out in clauses 2.2.8. "Leasing" and 2.2.9. "Right of use assets" of the accounting policy and in section 2.1.5. "Judgments, estimates and assumptions".

scope of IFRS 16 and related material judgments and estimates, in particular in the scope of:

- determining the scope of contracts subject to recognition as lease in accordance with IFRS 16,
- setting minimum lease payments,
- determining lease periods,
- setting discount rates,
- inclusion of changes to leasing agreements.

In addition, our test procedures also included, but were not limited to:

- understanding the process of recognizing contracts falling within the scope of IFRS 16 and assessing the key control mechanisms aimed at ensuring the completeness of the identification of contracts falling within the scope of IFRS 16 and amendments to contracts, as well as proper identification of the key parameters of these agreements,
- conducting tests of details for a sample of contracts in the calculation of the lease liability and the right-of-use asset, including parameters regarding (1) the duration of lease agreements in the context of provisions regarding the options for their extension and termination, (2) discount rates adopted, (3) periods in which depreciation charges of right-of-use assets are made,
- conducting tests of details for a sample of contracts in order to verify the correctness of the parameters used to calculate the lease liability and the right of use assets;
- obtaining detailed statements of the Company's Management Board as to the completeness and correctness of the data provided to us and significant assumptions.

We also assessed the adequacy and

	completeness of disclosures in the consolidated financial statements in relation to the guidance in IFRS 16, including key judgments on the recognition of leases and the accounting policies applied.

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

The Parent Company's Management Board 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 applicable International Financial Reporting Standards adopted by the European Union, the applied accounting policies, other applicable laws, as well as the Parent Company's Articles of Association, and is also responsible for such internal control as the Parent Company's Management Board determines 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 Parent Company's Management Board is responsible for assessing the Group's (the parent 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 Parent Company's Management Board either intends to liquidate the Group (the parent 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 a 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 they, individually or in the aggregate, could be reasonably expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

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 opinions 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 efficiency or effectiveness of conducting business matters now and in the future by the Parent Company's Management.

As part of an 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 Group'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 consolidated 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 consolidated management report of the Group for the period from 1 January 2021 to 31 December 2021 („Directors' Report"), the consolidated statement on corporate governance, the consolidated statement on non-financial information and the Consolidated Annual Financial Report for the financial year ended 31 December 2021 ('Consolidated Annual Report') (jointly 'Other Information'). The Other Information does not include the consolidated financial statements and our auditor's report thereon.

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

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

The Parent Company's Management and members of the Parent Company's Supervisory Board are required to ensure that the Directors' Report meets the requirements of the Accounting Act.

Auditor's responsibilities

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 Parent Company has prepared the consolidated statement on non-financial information and to issue an opinion on whether the Parent Company has included the required information in the consolidated statement on 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 statement

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 consolidated statement on 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 Parent Company has prepared the consolidated statement on non-financial information mentioned in article 55, section 2b of the Accounting Act as a separate section of the Directors' Report.

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

Report on other legal and regulatory requirements

Opinion on the compliance of marking up 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 a reasonable assurance engagement to express an opinion on whether the consolidated financial statements of the Group as at and for the year ended 31 December 2021, prepared in the single electronic reporting format, included in the file named „Eurocash-2021-12-31-pl.zip" ('consolidated financial statements in ESEF format'), was marked up in accordance with the requirements stipulated 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').

Identification of the applicable 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 marking up of consolidated financial statements in ESEF format with 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.

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 Management also includes the design, implementation and maintenance of such internal control as Management determines is necessary to enable the preparation of the consolidated financial statements in ESEF format that are free from any material incompliances with the ESEF Regulations.

The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process, which include also the preparation of financial statements in the format required by applicable regulations.

Auditor's responsibilities

Our objective is to express an opinion, based on the performed reasonable assurance engagement, that the consolidated financial statements in ESEF format have been tagged in accordance with ESEF Regulations.

We have performed our assurance engagement in accordance with the National Standard on Assurance Engagements Other than Audit and Review 3001 PL on audit of financial statement prepared in the single electronic reporting format ('NSAE 3001PL') and when applicable in accordance with 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' ('NSAE 3000 (R)').

The standard requires us to design and perform procedures to obtain reasonable assurance that the consolidated financial statements in ESEF format have been prepared in accordance with the applicable criteria.

Reasonable assurance is a high level of assurance, but it is not a guarantee that the assurance engagement conducted in accordance with NSAE 3001PL and, when appropriate, in accordance with NSAE 3000 (R), will always detect material misstatement when it exists.

The selection of procedures depends on the auditor's professional judgment, including the auditor's assessment of risks of material misstatements, whether due to fraud or error. When performing risk assessment the auditor takes account of internal controls related to preparation of the consolidated financial statements in ESEF format, to design procedures responsive to those risks in order to obtain evidence that is sufficient and appropriate. The assessment of internal control was not performed for the purpose of expressing an opinion on its operational effectiveness.

Summary of work performed

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 process of selection and application of XBRL markups and maintaining compliance with the ESEF Regulations, as well as obtaining an understanding of internal controls related to this process;
- reconciling the tagged information in 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 with the use of specialistic IT tools and IT expert;
- assessment of the completeness of tagging of information in the consolidated financial statements in ESEF format with XBRL tags with the use of specialistic IT tools and IT expert
- assessment whether XBRL tags from the taxonomy specified by the ESEF Regulations have been applied appropriately and whether extension taxonomy elements have been used when there are no appropriate elements in the core taxonomy specified in the ESEF Regulations;
- evaluating of the anchoring of the extension taxonomy elements to the core taxonomy elements 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 compliance of marking up with ESEF Regulations.

Ethical requirements, including independence

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

Quality control requirements

The audit 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 ('NSQC').

In accordance with NSQC, 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 on compliance with the ESEF Regulations

Our opinion has been formed on the basis of the matters outlined in this report and therefore should be read in conjunction with these matters.

In our opinion, the consolidated financial statements in ESEF format have been marked up, in all material respects, in accordance with the requirements of the ESEF Regulations.

Statement on the provision of non-audit services

To the best of our knowledge and belief, we represent that services, which we have provided to the Group, are compliant with the laws and regulations applicable in Poland, and that non-audit service, which are prohibited under article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors, were not provided. 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 five consecutive years.

Warsaw, 14 April 2022

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 2021 TO 31 DECEMBER 2021

KOMORNIKI, 14th April 2022

EUROCASH S.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

TRANSLATORS' EXPLANATORY NOTE
This document is a free translation of the Polish original. The binding Polish original should be referred to in matters of interpretation.

KOMORNIKI, 14 April 2022

Table of contents:

1. GENERAL INFORMATION

1.1. INFORMATION ABOUT THE PARENT ENTITY

1.1.1. NAME

EUROCASH Spółka Akcyjna (Parent Entity)

There were no changes in the Group related to the name of the reporting unit and other identification data.

1.1.2. ADDRESS

ul. Wiśniowa 11, 62-052 Komorniki, Poland

1.1.3. REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

1.1.4. CORE BUSINESS

Non-specialized wholesale trade (PKD 4690Z)

1.1.5. TERRITORY OF ACTIVITY

Poland

1.1.6. REGISTRATION COURT

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

1.1.7. PERIOD FOR WHICH THE GROUP WAS ESTABLISHED

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

1.1.8. PERIOD COVERED BY THE FINANCIAL STATEMENTS

The reporting period started 1 January 2021 and ended 31 December 2021 and comparative period is the period from 1 January 2020 to 31 December 2020.

Consolidated statement of financial position has been prepared as at 31 December 2021, and the comparative figures are presented as at 31 December 2020 and 1 January 2020.

1.2. BOARD OF THE PARENT ENTITY

1.2.1. MANAGEMENT BOARD OF THE PARENT ENTITY

As at 31 December 2021 the Eurocash S.A. Management Board consisted of the following members:

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

1.2.2. SUPERVISORY BOARDS

As at 31 December 2021 the Eurocash S.A. Supervisory Board consisted of the following members:

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

1.2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

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

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

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

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01.01 TO 31.12.2021

	Note	for the period from 01.01.2021 to 31.12.2021	for the period from 01.01.2020 to 31.12.2020 * restated
Sales		**26 281 430 813**	**25 398 595 604**
Sales of goods	26	26 166 936 464	25 284 125 375
Sales of services	26	108 376 029	105 603 953
Sales of materials	26	6 118 320	8 866 276
Costs of sales		**(22 872 081 645)**	**(22 056 081 474)**
Costs of goods sold		(22 866 418 835)	(22 047 756 130)
Costs of materials sold		(5 662 810)	(8 325 344)
Gross profit (loss)		**3 409 349 168**	**3 342 514 130**
Selling expenses	27	(2 878 392 704)	(2 739 581 250)
General and administrative expenses	27	(450 694 636)	(431 236 038)
Profit (loss) on sales		**80 261 828**	**171 696 842**
Other operating income	28	110 728 312	152 767 877
Other operating expenses	28	(93 460 473)	(92 750 043)
Operating profit (loss)		**97 529 667**	**231 714 676**
Financial income	29	28 639 291	31 344 910
Financial costs	29	(127 389 171)	(174 406 232)
Share in profits (losses) of equity accounted investees		280 507	553 067
Profit (loss) before tax		**(939 706)**	**89 206 421**
Income tax expense	24	(98 402 729)	(39 847 221)
Profit (loss) for the period		**(99 342 435)**	**49 359 200**
Attributable to:			
Owners of the Company		(113 571 531)	43 095 326
Non-controlling interests		14 229 096	6 263 874

EARNINGS PER SHARE

		PLN / akcję	PLN / akcję
Profit (loss) attributable to Owners of the Company		(113 571 531)	43 095 326
Weighted average number of shares	30	139 163 286	139 163 286
Weighted average diluted number of shares	30	139 163 286	139 163 286
Basic earnings loss per share		(0,82)	0,31
- continuing operation		(0,82)	0,31
- discontinued operations		0	0
Diluted earnings loss per share		(0,82)	0,31
- continuing operation		(0,82)	0,31
- discontinued operations		0	0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01 TO 31.12.2021

	for the period from 01.01.2021 to 31.12.2021	for the period from 01.01.2020 to 31.12.2020 Restated*
Profit (loss) for the period	**(99 342 435)**	**49 359 200**
Other comprehensive income for the period	32 349 435	(16 406 815)
Items that may be subsequently reclassified to profit or loss:	**32 349 435**	**(16 406 815)**
- The result on hedge accounting with the tax effect:	32 349 435	(16 406 815)
Total comprehensive income for the period	**(66 993 000)**	**32 952 385**
Total Income		
Owners of the Company	(81 222 096)	26 688 511
Non-controlling interests	14 229 096	6 263 874
Total comprehensive income for the period	**(66 993 000)**	**32 952 385**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2021

Assets	*Note*	as at 31.12.2021	as at 31.12.2020	as at 01.01.2020
			* restated	* restated
Non-current assets		**5 267 502 143**	**5 096 727 046**	**4 920 412 035**
Goodwill	4	2 130 015 214	2 045 033 805	1 850 000 695
Intangible assets	4	342 766 659	349 690 980	323 905 814
Property, plant and equipment	5	696 411 473	721 040 045	766 197 929
Right of use assets	6	1 942 045 726	1 795 460 872	1 801 034 427
Investment property	8	913 684	925 711	941 407
Investments in equity accounted investees	9	13 373 757	13 093 250	24 619 456
Other long-term investments	10	4 603 644	525 090	7 064 491
Long-term receivables	11	14 588 630	16 065 443	22 128 999
Deferred tax assets	25	118 407 465	145 196 345	122 904 027
Other long-term prepayments	12	4 375 891	9 695 505	1 614 790
Current assets		**3 219 796 608**	**2 969 061 715**	**2 964 593 931**
Inventories	13	1 535 646 491	1 363 009 516	1 271 273 085
Trade receivables	14	1 332 245 738	1 309 239 675	1 404 893 545
Current tax receivables	14	4 689 846	28 735 480	808 002
Other short-term receivables	14	171 327 055	112 572 475	104 158 041
Other short-term financial assets	15	14 810 270	310 325	2 933 505
Short-term prepayments	16	40 486 497	37 702 436	33 857 892
Cash and cash equivalents	17	120 590 711	117 491 808	146 669 861
Total assets		**8 487 298 751**	**8 065 788 761**	**7 885 005 966**

Equity and liabilities	*Note*	as at 31.12.2021	as at 31.12.2020	as at 01.01.2020
			* restated	* restated
Equity		**786 596 177**	**984 126 731**	**963 399 217**
Equity attributable to Owners of the Company		**699 121 094**	**916 407 363**	**896 981 814**
Share capital	18	139 163 286	139 163 286	139 163 286
Reserve capital		581 032 164	581 032 164	596 712 164
Valuation equity of hedging transactions		10 614 932	(21 734 503)	(5 327 688)
Option for purchase/selling the shares		(115 838 349)	(49 561 267)	(69 761 777)
Retained earnings		84 149 061	267 507 683	236 195 829
Accumulated profit / loss from previous years		197 720 592	224 412 358	166 333 792
Profit (loss) for the period		(113 571 531)	43 095 325	69 862 037
Non-controlling interests		87 475 083	67 719 368	66 417 403
Liabilities		**7 700 702 574**	**7 081 662 030**	**6 921 606 749**
Non-current liabilities		**2 493 454 819**	**2 137 167 827**	**1 560 356 149**
Long-term loans and borrowings	21	581 340 000	463 869 947	0
Other long-term financial liabilities	22	125 000 000	130 683 208	70 671
Long-term lease liabilities	23	1 701 013 665	1 523 813 632	1 527 021 294
Other long-term liabilities	20	73 736 230	3 651 826	4 132 976
Deferred tax liabilities	25	0	0	19 806 994
Employee benefits	19	9 768 044	11 787 295	7 344 214
Provisions	19	2 596 880	3 361 919	1 980 000
Current liabilities		**5 207 247 755**	**4 944 494 203**	**5 361 250 600**
Loans and borrowings	21	223 530 876	227 058 411	648 790 562
Other short-term financial liabilities	22	16 763 774	31 839 487	21 098 739
Short-term lease liabilities	23	400 784 933	355 977 522	297 625 204
Trade payables	20	3 854 074 328	3 719 975 037	3 794 788 277
Current tax liabilities	20	18 049 131	11 793 488	49 233 587
Other short-term payables	20	202 720 022	171 191 572	191 296 725
Current employee benefits	19	180 578 334	166 532 059	147 720 291
Provisions	19	310 746 357	260 126 627	210 697 215
Total equity and liabilities		**8 487 298 751**	**8 065 788 761**	**7 885 005 966**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01 TO 31.12.2021

	for the period from 01.01.2021 to 31.12.2021	for the period from 01.01.2020 to 31.12.2020 Restated *
Cash flow from operating activities		
Profit (loss) before tax	**(939 706)**	**89 206 421**
Adjustments for:	**769 627 189**	**672 859 287**
Depreciation and amortization	610 631 991	553 511 209
Share in profits (losses) of equity accounted investees	(280 506)	(553 067)
Gain (loss) on sale of property, plant and equipment	52 135 173	(33 258 763)
Profit (loss) on exchange rates	198 977	32 695 061
Dividends received	(213 996)	(234 921)
Interest expenses	115 648 836	126 381 405
Interest received	(8 493 286)	(5 681 637)
Operating cash before changes in working capital	**768 687 483**	**762 065 708**
Changes in inventory	(118 946 678)	(86 920 607)
Changes in receivables	(69 609 438)	82 391 427
Changes in payables	82 160 480	(88 339 786)
Changes in provisions and employee benefits	58 635 950	55 473 258
Other adjustments	(1 133 089)	(1 351 894)
Operating cash	**719 794 708**	**723 318 106**
Interest received	3 798 976	3 914 273
Interest paid	(22 350 949)	(44 500 968)
Income tax paid	(63 047 039)	(126 069 113)
Net cash from operating activities	**638 195 696**	**556 662 298**
Cash flow from investing activities		
Aquisition of intangible assets	(56 708 549)	(64 621 835)
Proceeds from sale of intangible assets, property, plant and equipment	4 648 935	1 707 367
Aquisition of property, plant and equipment tangible fixed assets	(147 476 676)	(123 639 281)
Proceeds from sale of property, plant and equipment	36 581 588	12 157 057
Dividends received	213 995	234 921
Aquisition of subsidiaries, net of cash aquired **	(68 701 661)	(128 339 174)
Loans granted	(51 290)	(64 682)
Interest received	4 828 579	1 868 197
Net cash used in investing activities	**(226 665 079)**	**(300 697 430)**
Cash flow from financing activities		
Income/expenses for other financial liabilities	339 231	(3 878 336)
Issue of financial debt securities	0	125 000 000
Expense due to the purchase of minority shares	0	(24 769 895)
Proceeds from loans and borrowings	187 965 628	365 693 014
Repayment of borrowings	(86 923 110)	(339 462 286)
Expenses for liabilities from leasing	(343 229 363)	(310 392 330)
Other interests	(69 710 949)	(77 088 345)
Interests on loans and borrowings	(20 667 377)	(16 921 739)
Dividends paid	(76 205 775)	(3 323 004)
Net cash used in financing activities	**(408 431 715)**	**(285 142 921)**
Net change in cash and cash equivalents	**3 098 902**	**(29 178 053)**
Cash and cash equivalents at the beginning of the period	117 491 808	146 669 861
Cash and cash equivalents at the end of the period	**120 590 711**	**117 491 808**

* Note 1 ** Note 2

CONSOLIDATED STATEMENT ON CHANGES IN EQUITY FOR THE PERIOD FROM 01.01 TO 31.12.2021

Changes in equity in 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**
Balance as at 01.01.2020 after changes	**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 *	0	0	0	0	43 095 326	**43 095 326**	0	**43 095 326**
Non-controlling interests	0	0	0	0	0	0	6 263 874	**6 263 874**
Profit/Loss *	0	0	0	0	**43 095 326**	**43 095 326**	**6 263 874**	**49 359 200**
Other comprehensive income	0	0	0	(16 406 815)	0	**(16 406 815)**	0	**(16 406 815)**
Total comprehensive income for the period from 01.01. to 31.12.2020 *	0	0	0	**(16 406 815)**	**43 095 326**	**26 688 511**	**6 263 874**	**32 952 385**
Dividends paid	0	0	0	0	0	0	(3 323 004)	**(3 323 004)**
Dividends declared	0	0	0	0	0	0	(246 361)	**(246 361)**
Valuation of motivational program for employees	0	(15 680 000)	0	0	15 680 000	0	0	**0**
Option for purchase/selling the shares	0	0	(4 569 385)	0	0	(4 569 385)	0	**(4 569 385)**
Purchase of minority shares	0	0	24 769 895	0	(20 107 373)	4 662 522	(4 662 522)	**0**
Other	0	0	0	0	(7 356 099)	(7 356 099)	3 269 978	**(4 086 121)**
Total contributions by and distributions to Owners of the Company	0	**(15 680 000)**	**20 200 510**	0	**(11 783 472)**	**(7 262 962)**	**(4 961 909)**	**(12 224 871)**
Changes in equity *	0	**(15 680 000)**	**20 200 510**	**(16 406 815)**	**31 311 854**	**19 425 549**	**1 301 965**	**20 727 514**
Balance as at 31.12.2020 *	**139 163 286**	**581 032 164**	**(49 561 267)**	**(21 734 503)**	**267 507 683**	**916 407 363**	**67 719 368**	**984 126 731**

Changes in equity in the period from 01.01 to 31.12.2021

Balance as at 01.01.2021	**139 163 286**	**581 032 164**	**(49 561 267)**	**(21 734 503)**	**267 507 683**	**916 407 363**	**67 719 368**	**984 126 731**
Owners of the Company	0	0	0	0	(113 571 531)	**(113 571 531)**	0	**(113 571 531)**
Non-controlling interests	0	0	0	0	0	0	14 229 096	**14 229 096**
Profit/Loss	0	0	0	0	(113 571 531)	(113 571 531)	14 229 096	(99 342 435)
Other comprehensive income	0	0	0	32 349 435	0	32 349 435	0	**32 349 435**
Total comprehensive income for the period from 01.01. to 31.12.2021	0	0	0	**32 349 435**	**(113 571 531)**	**(81 222 096)**	**14 229 096**	**(66 993 000)**
Dividends paid	0	0	0	0	(66 798 377)	(66 798 377)	(11 367 706)	**(78 166 083)**
Acquisition of the company	0	0	0	0	0	0	16 894 325	**16 894 325**
Option for purchase/selling the shares	0	0	(66 277 082)	0	0	(66 277 082)	0	**(66 277 082)**
Other	0	0	0	0	(2 988 714)	(2 988 714)	0	**(2 988 714)**
Total contributions by and distributions to Owners of the Company	0	0	**(66 277 082)**	0	**(69 787 091)**	**(136 064 173)**	**5 526 619**	**(130 537 554)**
Changes in equity	0	0	**(66 277 082)**	**32 349 435**	**(183 358 622)**	**(217 286 269)**	**19 755 715**	**(197 530 554)**
Balance as at 31.12.2021	**139 163 286**	**581 032 164**	**(115 838 349)**	**10 614 932**	**84 149 061**	**699 121 094**	**87 475 083**	**786 596 177**

* *Note 1*

2. SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01 TO 31.12.2021

2.1. GENERAL INFORMATION

2.1.1. ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

By the resolution of the Management Board of 14 April 2022, the consolidated financial statements of Eurocash S.A. ("Group", "Grupa Kapitałowa", "Eurocash Group", "Eurocash Capital Group") for the period from 1 January 2021 to 31 December 2021 has been approved for publication.

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

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

2.1.2. STATEMENT OF COMPLIANCE

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.

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

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

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

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

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

- a practical solution requiring that changes to the contract or changes to cash flows that are a direct consequence of the reform should be treated as changes in a variable interest rate, which is equivalent to a change in the market interest rate,

- permission to adjust the hedge accounting documentation in terms of designating and documenting hedging relationships without dissolving them, if these changes were directly required by the IBOR reform,
- granting a temporary exemption from the requirement to meet the separate identification criterion, if the RFR instrument has been designated as a hedge of the risk component. The IBOR reform with regard to WIBOR was completed in 2021. The method of determining WIBOR was changed, but the WIBOR itself was not replaced with a different reference rate. Hence, the possible impact of the reform was reflected in the prospective adjustment of the EIR along with fluctuations in the actual WIBOR. The company has signed annexes with selected Banks, which regulate the principles of exchanging the ratio in the event of discontinuation of the WIBOR rate quote.

– amendments to IFRS 4

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

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

The amendment extends the practical arrangement for lessees relating to leasing contracts with rent reductions granted directly in connection with the Covid 19 pandemic and payments originally due on and including 30 June 2021, to contracts with payments originally due on and including 30 June 2022.

The 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 the European Union regulations.

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

– IFRS 14 Regulatory Deferral Accounts (published on 30 January 2014) - in accordance with the decision of the European Commission, the approval process of the standard in its preliminary version will not be initiated before the publication of the final version - until the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on or after 1 January 2016;
– Amendments to IFRS 10 and IAS 28: Transactions of sale or contribution of assets between an investor and its associate or joint venture (published on 11 September 2014) - the work leading to the approval of these amendments has been postponed indefinitely by the EU - the effective date has been postponed by the IASB for an indefinite period;
– IFRS 17 Insurance Contracts (published on 18 May 2017), including Amendments to IFRS 17 (published on 25 June 2020) - applicable to annual periods beginning on or after 1 January 2023;
– Amendments to IAS 1: Presentation of financial statements - Division of liabilities into short-term and long-term and Division of liabilities into short-term and long-term - postponement of

the effective date (published on 23 January 2020 and 15 July 2020, respectively) - until the date of approval of these financial statements not approved by the EU - applicable for annual periods beginning on or after 1 January 2023;

- Amendments to IFRS 3: Amendments to references to the Conceptual Framework (published on 14 May 2020) - applicable to annual periods beginning on or after 1 January 2022;
- Amendments to IAS 16: Property, plant and equipment: revenues achieved before putting into use (published on 14 May 2020) - applicable to annual periods beginning on 1 January 2022 or later;
- Amendments to IAS 37: Onerous Contracts - Costs of Meeting Contractual Obligations (published on 14 May 2020) - applicable to annual periods beginning on or after 1 January 2022;
- Amendments resulting from the review of IFRS 2018-2020 (published on 14 May 2020) - applicable to annual periods beginning on or after 1 January 2022;
- Amendments to IAS 1 and Practice Statement 2: Disclosure of information regarding accounting principles (policy) (published on 12 February 2021) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2023 or later;
- Amendments to IAS 8: Definition of Accounting Estimates (published on 12 February 2021) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after 1 January 2023;
- Amendments to IAS 12: Deferred tax on assets and liabilities arising from a single transaction (published on 7 May 2021) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after 1 January 2023 ;
- Amendments to IFRS 17 Insurance Contracts: First application of IFRS 17 and IFRS 9 - Comparative information (published on 9 December 2021) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2023 or later.

The effective dates are the dates resulting from the content of the standards announced by the International Financial Reporting Council. The dates of application of the standards in the European Union may differ from the dates of application resulting from the content of the standards and are announced at the time of approval for use by the European Union.

The potential impact of the above changes is immaterial from the Group's point of view. The company intends to implement the provisions of the standards for the first time when they come into force, provided that they are significant for the company.

2.1.4.FUNCTIONAL AND PRESENTATION CURRENCY, ROUNDINGS

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).

2.1.5.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.

Control over the Arhelan Company

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

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

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

I. Power over the individual

1. Franchise agreement

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

2. Possibility to block resolutions of the shareholders' meeting

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

3. Decisions made by the Management Board

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

4. Disposal of shares

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

II. Exposure to variable returns

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

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

III. Ability to influence investment returns

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

Impairment of assets

Judgment is required to analyze the premises for impairment and conduct tests. In this context, in particular, the feasibility of budgets and the impact of the Covid-19 pandemic on the 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 recoverable value in use of the cash-generating units to which the goodwill and trademarks are allocated. Estimating the value in use consists in determining the future cash flows generated by the cash-generating unit and requires determining the discount rate to be applied in order to calculate the present value of these flows. The assumptions made for that purpose are presented in Note 7.

Impairment of trade receivables

In the current period, estimates of expected credit losses ("ECL") were updated.

Revenue and costs recognition and costs associated with the sale of goods

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

Leasing - recognition of the lessee

The application of IFRS 16 requires the 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 supplier chain financing agreements (reverse factoring) in relation to its trade liabilities. Considering the potential impact of such agreements on the statement of cash flows and the statement of financial position, the Group analyzes the content of such agreements each time.
Based on the analysis performed, the Group assessed that liabilities subject to reverse factoring are more similar in nature to liabilities to suppliers than to liabilities due to financing. As a result, they are presented in the balance sheet under "Trade and other liabilities" and payments are recognized in the Statement of cash flows upon payment by the Group companies to the factor as cash flows from operating activities. In particular, the Management Board assesses whether the supplier financing program does not materially change:

- payment terms to suppliers,
- the size of the dates of occurrence and the nature of future cash flows,

– trade credit financing costs.

The average payment terms throughout 2021 for individual groups of suppliers were as follows: (1) suppliers outside factoring programs - 36 days (in 2020 37 days), (2) suppliers in factoring programs - 52 days (54 days in 2020) . As a rule, suppliers of alcoholic and tobacco products and other long-term shelf-life products participate in the factoring program. Only about 2.5% of the turnover realized with the help of factoring programs concerns suppliers of fresh and perishable products. The securities provided to the factors take the form of: bills of exchange, power of attorney to the bank account, declaration of submission to enforcement and sureties of the Group companies. The collateral is comparable to the collateral granted to suppliers.

If significant modifications to the terms of repayment of trade liabilities are identified, the Company changes the classification accordingly and recognizes the liabilities covered by factoring as separate debt financing.

Depreciation rates

The 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.

Tradis customer relations

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

Split payment

According to the Management Board's judgment, restrictions on the use of cash on VAT accounts resulting from the tax regulations regarding the split payment mechanism do not affect their classification as cash and cash equivalents, as the 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.

2.1.6. 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 2020, except for the application of new or changed standards and interpretations effective for annual periods beginning on 1 January 2021, except for the application of new or changed standards and interpretations applicable to annual periods beginning on or after 1 January 2021 and later. The Group restated the comparative data. Details are included in note 1.

2.1.7. 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 27 August 2021, the company Eurocah Trade 2 Sp. z o.o in liquidation was liquidated.
On 27 August 2021, the company EC VC7 Sp. z o.o in liquidation was liquidated.
On 31 August 2021, there was a merger of Delikatesy Centrum Sp. z o.o. (acquiring company) and Investpol700 Eurocash Nieruchomości Sp. z o.o. sp.j (the acquired company).
On 1 October 2021, there was a merger of Polska Dystrybucja Alkoholi Sp. z o.o. (acquiring company) and ECA Detal Sp. z o.o. (acquired company).
On 9 November 2021, 49% of shares in Arhelan Sp. z o.o. was acquired.
On 17 January 2022, the company Delikatesy Rogala Sp. z o.o. changed its name into Delikatesy Rogala Obszar I Sp. z o.o.

On 17 January 2022, the company Delikatesy Centrum 2 Sp. z o.o. changed its name into Delikatesy Rogala Obszar II Sp. z o.o.
On 17 January 2022, the company Delikatesy Centrum 3 Sp. z o.o. changed its name into Delikatesy Rogala Obszar III Sp. z o.o.
On 17 January 2022, the company Delikatesy Centrum 4 Sp. z o.o. changed its name into Delikatesy Rogala Obszar IV Sp. z o.o.
On 17 January 2022, the company Delikatesy Rogala Obszar V Sp. z o.o. was created.
On 1 February 2022, there was a merger of company Eurocash VC3 Sp. z o.o. (acquiring company) and Premium Distributors Sp. z o.o. (acquired company).

2.1.8. GOING CONCERN ASSUMPTION

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

In 2021, the Group generated cash from operating activities in the amount of approximately PLN 638 million, while in 2020 the Group generated approximately PLN 557 million.

As at 31 December 2021, there was a surplus of short-term liabilities over current assets, which amounted to PLN 1,987 million. For comparison, as at 31 December 2020, this surplus amounted to PLN 1,975 million. In the opinion of the Management Board, the capital structure is typical for the commercial industry in which the Eurocash Group operates, due to the fact that a significant part of sales is made on cash terms, inventories are kept as low as possible, and suppliers provide deferred payment terms, with working capital financing The Group also uses reverse factoring instruments and short-term bank loans. The Group's net working capital (including inventories, trade receivables and trade payables) was negative and amounted to minus PLN 986 million as at 31 December 2021, compared to minus PLN 1,048 million as at 31 December 2020. The Group increased the value of annual sales by approximately 3.5%, and the profit on sales amounted to approximately PLN 80 million, which is approximately 53% less than in the previous year.

In 2021, the Group had a net loss of approximately PLN 99 million, with PLN 94,6 million resulting from the one-off effect of write-downs made in the first half of 2021 regarding store closings in the Retail segment and PLN 16.7 million regarding write-offs related to Kontigo. The losses generated in the Projects and Retail segments, caused by the failure to implement the assumed operating plans in the changing market environment, contributed to the generated loss.

Due to the incurred loss, equity capital decreased and its share in the balance sheet total was 9%.

Both in 2021 and in previous years, the Group used reverse factoring instruments to finance working capital. As at 31 December 2021, liabilities due to reverse factoring amounted to approximately PLN 1,780 million, which constituted approximately 93% of the limits available as at that date, while as at 31 December 2020, the use of reverse factoring for the year was approximately PLN 1,796 million, which constituted approximately 83% the limits available as of that date. In the second half of 2021, the Group was informed about the closure at the end of the year of the Polish branch of DNB bank, which provided the Group with around 250 million in reverse factoring programs. As a result of the decisions of financial institutions providing financing to the Group, the available reverse factoring limits were reduced during 2021 by approximately 11% of their availability at the beginning of 2021 (approximately PLN 240 million). At the same time, on the basis of the indicated decisions, the availability of the reverse factoring line in 2022 also decreased by a further PLN 400 million. As at 31 March 2022, according to unaudited consolidated financial data, liabilities from reverse factoring of the Eurocash Group amounted to approximately PLN 1.4 billion, which accounted for 94% of the current limits of approximately PLN 1.5 billion as at that date. As at 31 December 2021, the Group had PLN 635 million of granted limits with a maturity date not specified in the contracts. In accordance with the arrangements with the factors regarding the reduction of factoring lines referred to above, the target amount of the limits with maturity not specified in the contracts at the end of the second quarter of 2022 will be reduced by PLN 170 million to the level of PLN 465 million. The notice period for this type of agreement, i.e. for an indefinite reverse factoring agreement, is standard and amounts to either one month or requires termination of 1 month before the expiry of the 12-month limit validity period. Details of the reverse factoring limits, including availability dates, are presented in the note on liquidity management (No. 36) presented later in the financial statements.

Both in 2021 and in previous years, the Group used classic banking forms of financing, such as long-term and short-term credits. As at 31 December 2021, liabilities under short-term and long-term loans amounted to PLN 796 million, which accounted for approximately 59% of the limits currently granted as at that date, while as at 31 December 2020 such use accounted for 54% of the limits and amounted to PLN 681 million. Due to the decrease in liabilities due to reverse factoring, the Group increased in the first quarter of 2022 the use of available short-term and long-term credit limits compared to 31 December 2021. According to unaudited financial data, as at 31 March 2022, loan liabilities amounted to approximately PLN 942 million (unaudited data), which accounted approx.. 71% of the current limits on this type of financing. Details of bank loan limits, including availability dates, are presented in the note on liquidity management (Note 36) presented later in the financial statements.

The Group's financing structure is presented in the table below (for additional information: Note 36)

Limits	31.03.2022	31.12.2021	31.03.2021	31.12.2020
	Non-audited		Non-audited	
Bonds (program)*	1 000	1 000	1 000	1 000
Bank credits	1 334	1 359	1 252	1 252
Bank guarantees	281	281	230	230
Receivables factoring	325	325	325	325
Reverse factoring	1 530	1 915	2 157	2 157

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

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

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

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

In connection with the situation of the Covid-19 pandemic described in Note 39, the Group monitors the situation on an ongoing basis and complies with the recommendations of the Chief Sanitary Inspector. Special preventive measures are taken and recommended to employees on an ongoing basis, minimizing the risk of infection. The Management Board does not expect a significant negative impact of the pandemic on the Group's operations in 2022.

In connection with the clause described in note 40 "The impact of the war in Ukraine on the Group's current operations", no significant threats to the going concern were identified. The Group does not operate in Russia or Ukraine. The situation in the supply chain is monitored on an ongoing basis.

Taking into account the above events, concerning 2021 and the beginning of 2022, the Management Board of the Group undertook a number of actions aimed at improving the management of the Group's liquidity. First, the Management Board has identified the key risks related to the Group's liquidity management. The most important risks, in the opinion of the Management Board, include:

- failure to implement operational plans and achieve financial results in subsequent periods, related to the possible slower than expected effect of the restructuring measures taken and the impact of the ongoing market trends (including, inter alia, inflation, increase in energy and fuel costs, rising interest rates, changes in customer behavior and another). In terms of these risks, the Management Board conducts an ongoing analysis and takes actions to prevent them in the short or long term, eg in recent years the Company has been introducing more and more electronic solutions to its network to improve cooperation with Eurocash customers;

- the potential negative impact of the pandemic / endemic and the war in Ukraine on the revenues, costs and terms of financing activities both by financial institutions and suppliers of commercial goods; the impact of these issues is not expected by the Management Board as significant in the coming months; more detailed information is presented in note 39 and 40 further on in the financial statements;

- negative reaction of financial institutions to possible negative information about the Group, such as: delays in performance, reporting the level of margins and ratios below expectations, or the manner of implementing the Group's long-term strategy, and others;

- the need to extend the currently used credit lines, which, according to signed agreements, mature in the analyzed period, at significantly unchanged levels; in 2022, the Group companies plan to extend short-term credit lines (including cash pool, overdraft and short-term Covid loans), which as at 31 December 2021 are to be renegotiated in the periods April 2022 - January 2023;

- limiting the possibility of using the reverse factoring line, related to the approach of financial institutions to the approval of the available reverse factoring limits for the Group at significantly unchanged levels; most of the reverse factoring lines granted to the Group have an indefinite period of use with the possibility of termination within a month or the deadline falling in the 3rd or 4th quarter of 2022;

- the need to maintain current financing within trade credit limits and within agreed payment terms with suppliers, related to the course of negotiations with the Group's suppliers, primarily with regard to maintaining commercial conditions, including price lists, promotion levels, product availability and trade credit limits.

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

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

- The model assumes that for the entire year the sales increase y / y will amount to 7.6%, while in Q1'23 it was assumed at the level of 4.3% y / y. The model also takes into account the seasonality of sales. According to unaudited data for the first quarter of 2022, sales in this period exceed the sales recorded in the first quarter of 2021 by over 9.5%. In the opinion of the Management Board, this is the result of an increase in the level of inflation, an influx of refugees from Ukraine and the announcement of the lifting of covid restrictions.

- Throughout 2022, the breakdown into fixed and variable costs specified in the model corresponds to the levels of the current cost breakdowns for the Group in the fourth quarter of 2021. The increase in costs in Q1'23 was assumed at the level of the forecasted inflation in 2023, i.e. 3.4% for all cost categories. The costs are modeled broken down into fixed and variable costs. While variable costs always occur in the sales function, o only fixed costs are assumed on the basis of historical levels and levels confirmed in contracts, taking into account expected increases for individual items.

- The Management Board assumes an increase in the margin compared to 2021 by about 1.5 pp. The above results from the return to the level of the margin realized before the covid period, in particular the improvement of the profitability of Cash and Carry and Delikatesy Centrum. The margin is modeled separately for each segment: wholesale, retail and projects.

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

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

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

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

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

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

On 23 December 2020, the first bond issue in the amount of PLN 125 million took place as part of the bond issue program, established on November 18, 2020 in cooperation with BNP Paribas Bank Polska S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Santander Bank Polska S.A. The program enables multiple bond issues in accordance with the bond issue terms and conditions set for each series, up to the maximum total amount of all issues of PLN 1,000,000,000. The first issue was in demand from a wide group of investors and was made public by listing it on the ASO (Catalyst) market on the Stock Exchange S.A. The Management Board is also considering another issue under the approved program, however, as at the date of these financial statements, no steps have been taken in this direction because the Management Board is of the opinion that at the moment it will not be necessary to obtain this financing.

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

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

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

Most of the reverse factoring lines granted to the Group have an indefinite period of use with the possibility of termination within a month or the date falling in the 3rd or 4th quarter of 2022 (detaild in Note 36 “Financial risk management”); however, based on the history of cooperation with these financial institutions and the ongoing discussions and arrangements, the Management Board has no grounds to expect that the above limits will not be extended or that they could be terminated in a short period without agreeing on the terms of such termination, which would allow the Management Board to efficiently ordering the situation thus arisen;

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

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

2.2. SIGNIFICANT ACCOUNTING POLICIES

2.2.1. ACCOUNTING POLICIES

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

The most important accounting principles applied by the Capital Group are presented in points 2.2.2 – 2.2.37.

2.2.2. REPORTING PERIOD

The Group’s reporting period is a calendar year.

2.2.3. 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.

2.2.4. 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 and the Group has no control or joint control over these entities.

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.

2.2.5.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:

	31.12.2021	31.12.2020
EUR	4,5994	4,6148

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.

2.2.6.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. A component of intangible assets is recognized when it is probable that the company will achieve future economic benefits which can be assigned to a given component and when the purchase price or the cost of manufacturing a given asset can be reliably determined. 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

Expenses incurred thereafter are capitalized if they give rise to a new asset that meets the criteria in IAS 38. Expenditures incurred thereafter are capitalized if they give rise to a new asset that meets the criteria of IAS 38. Other expenditure, including internally generated expenditure: trademarks, goodwill and brand are recognized as profit or loss of the current period 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.

2.2.7.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 1.2.9.

The stocktaking of tangible fixed assets

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

2.2.8.LEASE

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.

2.2.9. 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.

2.2.10. 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.

2.2.11. 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.

2.2.12. 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.

2.2.13. 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.

2.2.14. 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.

2.2.15. 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.

2.2.16. 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 costs of goods sold.

2.2.17. 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.

2.2.18. DERIVATIVES

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

Derivative financial instruments are initially recognized at fair value; attributable transaction costs are recognized in the profit and loss account as incurred. After initial recognition, the Group measures derivative financial instruments at fair value, gains and losses resulting from changes in fair value are recognized in the following manner.

Hedge accounting

Hedge accounting is used to reflect the principles of risk hedging applied by the Group in accounting terms, and in particular to symmetrically recognize in the profit and loss account the offsetting changes in cash flows of the hedging instrument and the hedged item.

For the purposes of hedge accounting, the Group designates hedging instruments so that the change in their cash flows covers all or part of the change in future cash flows of the hedged item.

The Group applies hedge accounting if all of the following conditions specified in IFRS 9 are met:

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

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

Cash flow hedge accounting

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

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

a. the separate component of equity related to the hedged item (cash flow hedge reserve) is adjusted for the lower of the following amounts (in absolute terms):

- the gains or losses on the hedging instrument accumulated since the inception of the hedge; and
- the cumulative change in the fair value (present value) of the hedged item (ie the present value of the cumulative change in the hedged expected future cash flows) since the inception of the hedge;

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

c) any remaining gain or loss on the hedging instrument (or any gain or loss required to offset the change in the cash flow hedge reserve calculated in (a)) is a hedge ineffectiveness that is recognized in profit or loss.

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

Discontinuation of the use of hedge accounting

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

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

Other non-trading derivatives

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

2.2.19. 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.

Write-offs updating the value of receivables

Write-downs revaluing receivables are created for:

- receivables from debtors in bankruptcy or liquidation - up to the amount of receivables not covered by a guarantee or other security,
- debts from debtors in the event of dismissal of the bankruptcy petition, when the debtor's assets are insufficient to cover the costs of bankruptcy proceedings - up to the full amount,
- receivables questioned by debtors - up to the amount not covered by the security,
- overdue or not yet overdue receivables, but with a high degree of probability that these receivables will become past due - in the amount reliably estimated by the Group (based on past experience, reliably conducted analyzes, forecasts, etc.),
- receivables brought to court - in the amount of 100% of the value of the receivable.

Write-downs of receivables include not only the events that occurred up to the reporting date, but also those disclosed later, until the date of approval of the financial statements by the Management Board for publication, if these events relate to a receivable recognized in the books as at the reporting date.
The Group also creates provisions for expected credit losses due to granted loan guarantees.
Write-downs of the value of receivables are charged to other operating costs, and if they concern interest - to financial costs.
The Group uses the expected credit loss model

Valuation 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.

Valuation 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.

2.2.20. 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.

2.2.21. 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).

2.2.22. 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.

2.2.23. EQUITY

Ordinary shares

Ordinary shares are classified as 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.

2.2.24. 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, except for obligations to acquire non-controlling interests.

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.

2.2.25. 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.

2.2.26. 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.

2.2.27. 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.

2.2.28. 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.

2.2.29. 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.

2.2.30. 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.

2.2.31. 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.

2.2.32. 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 requirements of IAS12, IFRIC23 are taken into account, the Group creates tax liabilities / provisions, respectively.

2.2.33. 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.

2.2.34. 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.

2.2.35. 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.

2.3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01 TO 31.12.2021

NOTE 1.

CORRECTION OF THE INPROPER DATA

1. As a result of the analyzes carried out on settlements for trade in packaging, the Group decided to make an adjustment related to deposit packaging. The method of presenting settlements for packaging resulted in the related adjustment increasing the value of the presented trade liabilities. Therefore, an appropriate write-off was made in 2020. As a result of the change, the amounts presented in the statement of cash flows from operating activities changed (financial result and profit adjustments), without affecting the cash flows from operating, investing and financing activities.
2. As a result of the analyzes of costs related to commissions for card payments, the Group changed the presentation of these costs between other operating costs and selling costs.
3. As a result of the analyzes carried out on the presentation of selling costs and administrative costs in subsidiaries, the company reclassified these costs. The presentation is related to the incorrect approach to the classification of cost centers in the Group.
4. As a result of the analyzes carried out on the presentation of revenues from sublease in Delikatesy Centrum Sp. z o.o. an appropriate reclassification was made between the sale of services and other operating revenues, in accordance with the accounting policy applied in the Group.
5. As a result of the analyzes of revenues from the sale of services, the Group reclassified revenues from marketing services related to retroregages from suppliers between the revenues from the sale of services and the cost of goods sold.

Details related to changes in the Profit and Loss Account in the period from 01.01.2020 to 31.12.2020 and changes in the statement of financial position as at 31.12.2020 and 01.01.2020 are presented below.

INCOME STATEMENT FOR THE PERIOD FROM 01.01.2020 TO 31.12.2020

	Income statement before changes	Restatement (1)	Restatement (2)	Restatement (3)	Restatement (4)	Restatement (5)	Income statement after changes
Sales	**25 411 041 701**	**-**	**-**	**-**	**(5 322 297)**	**(7 123 800)**	**25 398 595 604**
Sales of goods	25 284 125 375	-	-	-	-	-	25 284 125 375
Sales of services	118 050 050	-	-	-	(5 322 297)	(7 123 800)	105 603 953
Sales of materials	8 866 276	-	-	-	-	-	8 866 276
Costs of sales	**(22 044 490 865)**	**(18 714 409)**	**-**	**-**	**-**	**7 123 800**	**(22 056 081 474)**
Costs of goods sold	(22 036 165 521)	(18 714 409)	-	-	-	7 123 800	(22 047 756 130)
Costs of materials sold	(8 325 344)	-	-	-	-	-	(8 325 344)
Gross profit (loss)	**3 366 550 836**	**(18 714 409)**	**-**	**-**	**(5 322 297)**	**-**	**3 342 514 130**
Selling expenses	(2 740 733 634)	-	(5 913 491)	7 065 876	-	-	(2 739 581 249)
General and administrative expenses	(424 170 163)	-	-	(7 065 876)	-	-	(431 236 039)
Profit (loss) on sales	**201 647 039**	**(18 714 409)**	**(5 913 491)**	**-**	**(5 322 297)**	**-**	**171 696 842**
Other operating income	147 445 580	-	-	-	5 322 297	-	152 767 877
Other operating expenses	(98 663 534)	-	5 913 491	-	-	-	(92 750 043)
Operating profit (loss)	**250 429 085**	**(18 714 409)**	**-**	**-**	**-**	**-**	**231 714 676**
Financial income	31 344 910	-	-	-	-	-	31 344 910
Financial costs	(174 406 232)	-	-	-	-	-	(174 406 232)
Share in profits (losses) of equity accounted investees	553 067	-	-	-	-	-	553 067
Profit (loss) before tax	**107 920 830**	**(18 714 409)**	**-**	**-**	**-**	**-**	**89 206 421**
Income tax expense	(39 847 221)	-	-	-	-	-	(39 847 221)
Profit (loss) for the period	**68 073 609**	**(18 714 409)**	**-**	**-**	**-**	**-**	**49 359 200**
Attributable to:							
Owners of the Company	61 809 736	(18 714 409)	0	0	0	0	43 095 326
Non-controlling interests	6 263 874	0	0	0	0	0	6 263 874

STATEMENT OF FINANCIAL POSITION AS AT 31.12.2020

Equity and liabilities	Statement of financial position before changes	Changes	Statement of financial position after changes
Equity	**1 002 841 142**	**(18 714 409)**	**984 126 732**
Equity attributable to Owners of the Company	**935 121 774**	**(18 714 409)**	**916 407 364**
Share capital	139 163 286	-	139 163 286
Reserve capital	581 032 165	-	581 032 165
Valuation equity of hedging transactions	(21 734 503)	-	(21 734 503)
Option for purchase/selling the shares	(49 561 267)	-	(49 561 267)
Retained earnings	286 222 093	(18 714 409)	267 507 683
Accumulated profit (loss) from previous years	224 412 358	-	224 412 358
Profit (loss) for the period	61 809 735	(18 714 409)	43 095 326
Non-controlling interests	67 719 368	-	67 719 368
Liabilities	**7 062 947 619**	**18 714 409**	**7 081 662 028**
Non-current liabilities	**2 137 167 826**	**-**	**2 137 167 826**
Long-term loans and borrowings	463 869 947	-	463 869 947
Other long-term financial liabilities	130 683 208	-	130 683 208
Long-term lease liabilities	1 523 813 632	-	1 523 813 632
Other long-term liabilities	3 651 826	-	3 651 826
Employee benefits	11 787 295	-	11 787 295
Provisions	3 361 919		3 361 919
Current liabilities	**4 925 779 793**	**18 714 409**	**4 944 494 202**
Loans and borrowings	227 058 411	-	227 058 411
Other short-term financial liabilities	31 839 487	-	31 839 487
Short-term lease liabilities	355 977 522	-	355 977 522
Trade liabilities	3 701 260 628	18 714 409	3 719 975 038
Current tax liabilities	11 793 488	-	11 793 488
Other short-term payables	171 191 572	-	171 191 572
Current employee benefits	166 532 059	-	166 532 059
Provisions	260 126 627	-	260 126 627
Total equity and liabilities	**8 065 788 761**	**-**	**8 065 788 761**

As a result of the analyzes carried out on the presentation of paid deposits for real estate in which Delikatesy Centrum Sp. zoo. conducts the basic activity on the presentation change between long-term receivables and other short-term receivables.

STATEMENT OF FINANCIAL POSITION AS AT 31.12.2020

ASSETS	Statement of financial position before changes	Changes	Statement of financial position after changes
Non-current assets (long-term)	**5 087 653 022**	**9 074 025**	**5 096 727 047**
Goodwill	2 045 033 805	-	2 045 033 805
Intangible assets	349 690 980	-	349 690 980
Property, plant and equipment	721 040 045	-	721 040 045
Perpetual use	1 795 460 872	-	1 795 460 872
Investment real property	925 711	-	925 711
Investments in associates and joint ventures	13 093 250	-	13 093 250
Other long-term investments	525 090	-	525 090
Long-term receivables	6 991 418	9 074 025	16 065 443
Deferred tax assets	145 196 345	-	145 196 345
Other long-term prepayments	9 695 505	-	9 695 505
Current assets (short-term)	**2 978 135 740**	**(9 074 025)**	**2 969 061 714**
Invetories	1 363 009 516	-	1 363 009 516
Trade receivables	1 309 239 675	-	1 309 239 675
Current tax assets	28 735 480	-	28 735 480
Other short-term receivables	121 646 500	(9 074 025)	112 572 474
Other short-term investments	310 325	-	310 325
Short-term prepayments	37 702 436	-	37 702 436
Cash and cash equivalents	117 491 807	-	117 491 807
Total assets	**8 065 788 761**	**-**	**8 065 788 761**

STATEMENT OF FINANCIAL POSITION AS AT 01.01.2020

ASSETS	Statement of financial position before changes	Changes	Statement of financial position after changes
Non-current assets (long-term)	**4 912 606 710**	**7 805 325**	**4 920 412 035**
Goodwill	1 850 000 695	0	1 850 000 695
Intangible assets	323 905 814	0	323 905 814
Property, plant and equipment	766 197 929	0	766 197 929
Perpetual use	1 801 034 427	0	1 801 034 427
Investment real property	941 407	0	941 407
Investments in associates and joint ventures	24 619 456	0	24 619 456
Other long-term investments	7 064 491	0	7 064 491
Long-term receivables	14 323 674	7 805 325	22 128 999
Deferred tax assets	122 904 027	0	122 904 027
Other long-term prepayments	1 614 790	0	1 614 790
Current assets (short-term)	**2 972 399 256**	**(7 805 325)**	**2 964 593 931**
Invetories	1 271 273 085	0	1 271 273 085
Trade receivables	1 404 893 545	0	1 404 893 545
Current tax assets	808 002	0	808 002
Other short-term receivables	111 963 366	(7 805 325)	104 158 041
Other short-term investments	2 933 505	0	2 933 505
Short-term prepayments	33 857 892	0	33 857 892
Cash and cash equivalents	146 669 861	0	146 669 861
Total assets	**7 885 005 966**	**0**	**7 885 005 966**

NOTE 2.

ACQUISITION OF SHARES IN SUBSIDIARIES

1 . Acquisition of 49% of company Arhelan Sp. z o.o.

General information

On 09.11.2021, Eurocash acquired 49% of shares in Arhelan sp.z o.o., at the same time committing to acquire 1% of shares in the future. Arhelan runs a network of over 100 retail stores under the brand Polskie Sklepy Arhelan. The network was founded in 1991 in Bielsk Podlaski by the Burzyński Family. The activity is conducted mainly in the Podlaskie region, but also in Warmińsko-Mazurskie, Mazowieckie and Lubelskie. The brand is distinguished by fresh products of the highest quality, obtained from reliable suppliers, and the Arhelan expansion model fits in with a socially responsible presence in local markets.

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

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

Accounting for the acquisition of business units

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

NET ASSETS ACQUIRED	Settlement of the acquisition as at 09.11.2021
Assets	
Non-current assets (long-term)	**78 012 042**
Intangible assets	892 245
Tangible fixed assets	15 795 364
Assets due to the right of use (IFRS 16)	60 983 926
Long-term receivables	89 990
Other long-term prepayments	250 517
Current assets (short-term)	**40 214 351**
Inventory	26 308 246

Trade receivables	4 025 799
Other short-term receivables	61 456
Short-term prepayments	1 238 191
Cash and cash equivalents	8 580 659
Total assets	**118 226 393**
Equity nad liabilities	
Liabilities	**101 994 591**
Non-current liabilities	**58 456 345**
Long-term loans and credits	5 309 640
Other long-term liabilities	2 134 917
Long-term finance lease liabilities (MSSF16)	50 968 027
Other long-term provision	43 761
Current liabilities	**43 538 245**
Short-term loans and credits	1 011 360
Short-term finance lease liabilities	1 019 569
Short-term finance lease liabilities (MSSF16)	10 015 898
Trade liabilities	22 834 445
Current income tax liabilities	1 598 486
Other short-term liabilities	3 272 119
Current employee benefits	2 394 563
Other short-term provisions	1 391 806
Net assets	**16 231 802**
Net assets acquired (49 %)	16 231 802
Goodwill on acquisition	84 981 408
Acquisition cost	**101 213 210**

The resulting goodwill is mainly related to the fact that thanks to the acquisition of Arhelan, Grupa Eurocash S.A. expanded its distribution channels for food, chemicals and cosmetics.

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. 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., Podlaskie Delikatesy Centrum Sp. z o.o., Delikatesy Centrum Sp. z o.o., Arhelan 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., Innowacyjna Platforma Handlu Sp. z o.o. (previously Platforma Innowacji Handlu 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 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.

Basic information regarding each reportable segment is presented below:

REVENUES AND PROFITS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2021 TO 31 DECEMBER 2021

	Wholesale	Retail	Projects	Other	Exclusions	Total
Sales	**21 254 689 984**	**8 744 417 634**	**546 864 772**	**4 992 192**	**(4 269 533 769)**	**26 281 430 813**
External sales of goods	19 252 271 867	6 381 832 298	532 832 298	0	0	26 166 936 463
Other external sales	39 001 488	74 442 187	1 019 521	31 153	0	114 494 350
Inter-segmental sales	1 963 416 628	2 288 143 149	13 012 953	4 961 038	(4 269 533 769)	0
Operating profit	**421 348 133**	**(72 799 226)**	**(113 010 845)**	**(138 008 396)**	**0**	**97 529 666**
Finance income						28 639 290
Finance costs						(127 389 170)
Share in losses of companies consolidated with the equity method						280 507
Profit before income tax						**(939 707)**
Income tax						(98 402 729)
Net profit (loss)						**(99 342 435)**

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**	**8 522 208 318**	**305 032 388**	**6 423 874**	**(4 103 733 830)**	**25 398 595 604**
External sales of goods	18 892 611 800	6 091 102 788	300 410 788	0	0	25 284 125 375
Other external sales	42 518 178	70 984 230	844 113	123 707	0	114 470 228
Inter-segmental sales	1 733 534 875	2 360 121 299	3 777 487	6 300 168	(4 103 733 830)	0
Operating profit (loss)	**386 568 169**	**54 998 423**	**(66 598 189)**	**(143 253 727)**	**0**	**231 714 676**
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						**89 206 421**
Income tax						(39 847 221)
Net profit (loss)						**49 359 200**

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 31.12.2021	Goodwill	Patents and licences	Trademarks	Customer relations	Other intangible assets	**Total**
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	0	135 658	**217 678 148**
Other acquisitions	0	17 074 078	11 502 760	0	35 918 580	**64 495 418**
Transfer of fixed assets under construction	0	38 724 703	914 266	0	−39 226 196	**412 773**
Disposals	0	−35 649	−1 000 000	0	0	**−1 035 649**
Liquidations	0	−1 226	−378 404	0	0	**−379 630**
Amortisation	0	−31 772 086	−10 510 378	−12 500 000	−4 432 304	**−59 214 768**
Other changes	0	−1 174 768	0	0	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**
Carrying amount as at 01.01.2021	**2 045 033 806**	**78 368 478**	**79 907 539**	**140 239 984**	**51 174 978**	**2 394 724 785**
Acquisition through business combination	84 981 408	1 807 930	0	0	3 433	**86 792 771**
Other acquisitions	0	19 633 518	1 896 825	0	35 121 905	**56 652 248**
Transfer of fixed assets under construction	0	35 688 368	1 532 865	0	−37 500 957	**−279 724**
Disposals	0	−142 320	−12 132	0	−183 555	**−338 007**
Liquidations	0	−27 751	0	0	−11 285	**−39 036**
Amortisation	0	−42 720 705	−6 077 257	−12 500 000	−1 910 350	**−63 208 312**
Other changes	0	−1 165 468	0	0	−357 384	**−1 522 852**
Carrying amount as at 31.12.2021	**2 130 015 214**	**91 442 049**	**77 247 840**	**127 739 984**	**46 336 786**	**2 472 781 873**

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

	Goodwill	Patents and licences	Trademarks	Customer relations	Other intangible assets	**Total**
As at 31.12.2020						
Gross carrying amount	2 045 033 806	314 179 102	135 452 032	315 673 264	179 979 276	2 990 317 480
Balance sheet value of write-offs	0	(7 203 000)	0	0	(24 798 064)	(32 001 064)
Accumulated amortisation	0	(228 607 624)	(55 544 492)	(175 433 280)	(104 006 235)	(563 591 631)
Carrying amount	**2 045 033 806**	**78 368 478**	**79 907 540**	**140 239 984**	**51 174 977**	**2 394 724 785**
As at 31.12.2021						
Gross carrying amount	2 130 015 214	369 973 378	138 869 590	315 673 264	177 051 433	3 131 582 879
Balance sheet value of write-offs	0	(7 203 000)	0	0	(24 798 064)	(32 001 064)
Accumulated amortisation	0	(271 328 329)	(61 621 749)	(187 933 280)	(105 916 585)	(626 799 942)
Carrying amount	**2 130 015 214**	**91 442 049**	**77 247 840**	**127 739 984**	**46 336 786**	**2 472 781 873**

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,
u) goodwill on acquisition by Eurocash S.A. of Arhelan Sp. z o.o. in the amount PLN 84 981 408.

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 make any goodwill impairment write-offs in 2021 and 2020.

The Group did not recognize any impairment losses in relation to intangible assets, what is expanded in Note 8.

NOTE 5.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are presented below.

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2021	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	**Total**
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	0	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	0	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**
Carrying amount as at 01.01.2021	**371 059 220**	**190 558 847**	**15 473 785**	**130 973 046**	**12 975 147**	**721 040 046**
Acquisition through business combination	8 937 818	15 927 167	946 320	(3 698 521)	845 789	**22 958 573**
Other acquisitions	18 637 328	53 780 932	4 043 837	42 798 915	34 109 026	**153 370 038**
Changes due to the transfer of fixed assets under construction	7 663 379	12 120 291	0	3 540 549	(23 044 495)	**279 724**
Disposals	(13 407 198)	(3 992 334)	(3 018 273)	(2 482 801)	(275 141)	**(23 175 747)**
Liquidations	(1 021 330)	(774 171)	(80 802)	(2 111 853)	(836 860)	**(4 825 016)**
Impairment loss	(5 094 581)	(4 970 059)	(31 955)	(5 288 657)	(506 241)	**(15 891 492)**
Depreciation	(39 727 224)	(60 545 941)	(10 228 690)	(49 848 163)	0	**(160 350 018)**
Other changes	88 860	8 345	145 450	576 928	2 185 781	**3 005 364**

Carrying amount as at 31.12.2021	**347 136 272**	**202 113 078**	**7 249 672**	**114 459 443**	**25 453 007**	**696 411 472**

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

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	**Total**
As at 31.12.2020						
Gross carrying amount	730 068 651	554 864 959	153 814 887	542 234 975	14 915 668	1 995 899 138
Balance sheet value of write-offs	(24 748 834)	(257 114)	0	(375 968)	(1 474 704)	(26 856 620)
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**	**15 473 786**	**130 973 046**	**12 975 147**	**721 040 046**
As at 31.12.2021						
Gross carrying amount	750 427 354	633 486 872	155 940 603	581 158 471	26 498 775	2 147 512 075
Balance sheet value of write-offs	(29 303 261)	(6 778 856)	(121 140)	(5 964 905)	(579 951)	(42 748 112)
Accumulated amortisation	(373 987 820)	(424 594 939)	(148 569 791)	(460 734 123)	(465 817)	(1 408 352 490)
Carrying amount	**347 136 272**	**202 113 078**	**7 249 672**	**114 459 443**	**25 453 007**	**696 411 473**

NOTE 6.

RIGHT OF USE

RIGHT OF USE IN THE PERIOD FROM 01.01 TO 31.12.2021	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Total
Carrying amount as at 01.01.2020	**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**
Carrying amount as at 01.01.2021	**1 591 003 298**	**23 413 886**	**179 124 825**	**1 918 862**	**1 795 460 872**
Acquisition through business combination	119 506 509	3 201 886	5 804 799	5 220 660	**133 733 855**
Increases due to the new agreements	175 234 676	8 211 659	75 689 973	32 243 475	**291 379 782**
Changes in conditions of contracts	208 965 743	79 423	11 307 489	1 213 644	**221 566 299**
Decrease of contracts scope	(40 682 265)	0	(8 083 919)	0	**(48 766 185)**
Depreciation	(309 911 279)	(3 950 024)	(70 955 402)	(2 244 929)	**(387 061 634)**
Other changes	(64 267 264)	0	0	0	**(64 267 264)**
Carrying amount as at 31.12.2021	**1 679 849 418**	**30 956 830**	**192 887 765**	**38 351 712**	**1 942 045 725**

As at 31.12.2020					
Gross carrying amount	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**	**1 918 862**	**1 795 460 872**
As at 31.12.2021					
Gross carrying amount	2 576 874 714	39 414 680	404 465 680	43 889 283	3 064 644 357
Accumulated amortisation and write-down	(897 025 296)	(8 457 850)	(211 577 915)	(5 537 569)	(1 122 598 630)
Carrying amount	**1 679 849 418**	**30 956 830**	**192 887 765**	**38 351 712**	**1 942 045 725**

The total outflow of cash under the lease amounted to PLN 417.670.547 in 2021 (2020: PLN 387,298,185).
The value of interest paid under contracts covered by IFRS16 amounted to PLN 54.569.864 in 2021 (PLN 67,224,937 in 2020).
Excluded from recognition in the balance sheet are short-term and low-value lease contracts, the total amount of which in 2021 was approximately PLN 13 million (2020: PLN 7.9 million). In this category, the Group includes the lease of, inter alia, cars, trolleys, containers.
COVID-19 rent renegotiations turned out to be insignificant.

NOTE 7.

IMPAIRMENT TESTS OF ASSETS

The Group carried out impairment tests with regard to assets allocated to individual operating segments to which goodwill and intangible assets with an indefinite useful life are assigned. The tests were conducted for the following segments: Wholesale, Retail and Projects.
In addition, in the Retail and Projects segments, premises for impairment of assets were identified due to the failure to meet the planned budgets for 2021 and the decline in results compared to 2020.

The Group identified impairment premises at the level of cash flow generating units ("CGU"), which are the smallest identifiable groups of assets generating inflows from current use, which are independent of inflows from other assets or groups of assets (in particular, assets related do the specified stores).

Segment impairment tests were carried out on two levels:
- first, in the event of any indications of impairment of individual segment assets or CGU (inclufing specified stroes), tests for impairment of these assets / CGU were performed,
- in the next step, goodwill and intangible assets with an indefinite useful life were tested at the level of the CGU or the CGU group to which they are allocated (for Wholesale and Retail it is an allocation at the level of the entire operating segment, in the Projects segment, tests were performed at lower levels).

The recoverable amount of the segment / CGU was compared with the carrying amount defined as the total assets (including current assets) of this segment / CGU less short-term liabilities constituting part of the working capital. The recoverable amount was determined as the value in use of the tested segment based on the financial projections for 2022-2026 and the residual value after the period of detailed forecast. In order to determine the selected parameters of the projection, historical data for 2021 and plans for 2022-2026 were used.

Retail segment assets impairment test - stores

As at 30 June 2021, in connection with the planned closure of 50 stores, impairment losses on fixed assets assigned to these stores were recognized: right of use and property, plant and equipment in the amount of PLN 65 million and PLN 15 million, respectively - a total of PLN 80 million. In addition, as at 31 December 2021 an additional impairment loss was recognized for the value of fixed assets allocated to other stores: right of use and property, plant and equipment in the amount of PLN 10.6 million and PLN 4 million, respectively - a total of PLN 14.6 million.

Impairment losses on own stores were recognized on the basis of the observed deterioration in the results of own stores in the first half of 2021 and the assessment of the possibility of improving the results of these stores through actions aimed at increasing sales revenues and reducing losses related to inventories.

In the current reports of 2 April 2021 and 1 February 2022, the Company disclosed information about the ongoing process of reviewing strategic options of the Eurocash Group. One of the elements considered by the Company as part of this review is finding an investor for selected business segments of the Company. In accordance with the current report No. 03/2022, the Company, until the date of the financial statements, received non-binding offers regarding, inter alia, a specific, selected part of its business segment and compared the received non-binding offers to equity transactions and market valuations observed on the market for entities operating in the retail segment. Based on the received non-binding offers and analyzes of comparative transactions and market valuations with the support of independent specialists, the Management Board determined the fair value less costs to sell investments in segment assets recognized in the balance sheet and for which non-binding purchase offers were received, which were recognized as recoverable amounts.

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

Net assets under the fair value less costs to sell test include:

- property, plant and equipment in the amount of PLN 115 million
- right-of-use assets in the amount of PLN 547 million
- goodwill in the amount of PLN 629 million (the Management Board estimates that only a part of goodwill may be recognized as an expense in the event of sale)
- net working capital components (inventories, trade receivables and liabilities) in the total amount of PLN 49 million,

taking into account the lease liabilities in the amount of PLN 567 million.

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

The recoverable amount of the assets specified above would be their book value if the sales revenue decreased by 24.3% for the market multiples method and 38.3% for the transaction multiples method.

On the other hand, as part of the analysis of the remaining assets of the segment - own stores not covered by these offers and the valuation prepared by independent specialists with a total value of PLN 49 million - based on their estimated future use and possible cash flows, the recoverable amount of these stores was assessed.

On this basis, an impairment of the right to use was identified in the amount of PLN 14.6 million.

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

Segment-level test - Retail

Goodwill was tested at the Retail segment level. Retail segment assets tested at the segment level include:

- goodwill recognized on the acquisition of subsidiaries in the amount of PLN 856 million
- trademark with an indefinite useful life in the amount of PLN 14 million
- tangible fixed assets and intangible assets in the amount of PLN 340 million (taking into account previously made revaluation write-offs)
- rights of use in the amount of PLN 908 million (taking into account previously made impairment losses in the amount of PLN 65 million)
- net working capital components (inventories, receivables and trade liabilities) in the total amount of PLN 3 million

The recoverable amount of the aforementioned assets was determined based on the projected cash flows (value in use), which were built, among others, by with the following assumptions:

- a model for determining the recoverable amount based on the existing infrastructure and sales network, including central distribution of goods and sales to own and franchise stores,
- a 5-year detailed forecast period was adopted,
- the cash flow projection takes into account the increase in sales according to the estimated LfL ratio (defined as the increase in sales for the permanent store base and taking into account the closure of 50 own stores) and the average annual increase in revenues of approx. 6.5 pp, with the planned increase in revenues in 2022 and 2023 is higher than the average. The planned increase in sales results from the observed and expected growth rates of the sector in which the activity is conducted, the effect of opening new stores in previous years and the development of the category of local products in own stores
- in the residual period, a revenue growth rate of 2.5% was assumed,
- in the timeframe of the detailed forecast and in the residual period, it was assumed: an increase in the gross margin by 0.8 pp. in 2022 and 2023 compared to the level achieved in 2021, (the increase in gross margin is mainly due to the assumed improvement in the level of losses in stores and the normalization of the margin from the Covid 19 period to the period before the pandemic), while in the subsequent years of the forecast the level increases by 0.9 pp compared to 2021,
- the cash flow forecast assumes no deterioration of the epidemiological situation as compared to the situation as at the date of approval of these financial statements,
- investment outlays in subsequent years have been agreed with the approved investment budgets, including the planned outlays for store maintenance,
- the level of working capital has been forecast on the basis of historical inventory turnover ratios, trade receivables and trade liabilities,
- an improvement in the operating result and an increase in profitability to a level higher by 2.1 pp was assumed. compared to the result for 2021 (taking into account the closure of own stores) over the next five years, which is related to the assumed improvement in the level of inventory losses and the liquidation of goods in own stores and the compensation of the margin to the level observed in previous years.

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, appropriate for the retail part of Eurocash Group, was also assumed. The weighted average cost of capital - WACC of 7.95% (2020: 7.95%) was used as the discount rate. No change from year to year results from the analysis of parameters such as beta risk for the food industry, average D / E ratio for peers, and capital risk premium for Poland. This analysis did not show any significant influence on the WACC change.

The test did not show the need to make additional write-downs, including goodwill, and showed a surplus over the value of the tested segment assets.

Sensitivity analysis

For the test performed at the segment level, an analysis of sensitivity to changes in particular key financial parameters was performed, which are the basis for estimating the recoverable amount. If the remaining assumptions of the model are adopted unchanged in each case:

- in the case of a decrease in the revenue growth rate in each forecast period by 1,5 pp, and also
- in the case of an increase in the discount rate by 6 pp. or
- in the case of a decrease in the gross margin in each forecast period by 1.3 pp,

the recoverable amount of the segment's assets would be equal to its carrying amount.

The sum of impairment losses recognized in the reporting period in the Retail segment is PLN 94,6 million (property, plant and equipment PLN 19 million and rights to using PLN 75,6 million).

Wholesale segment assets impairment test

With regard to the goodwill and intangible assets with an indefinite useful life of the Hurt segment, impairment tests were performed based on the value in use of segment assets to which this goodwill is related and intangible assets.

The tested value of assets (adjusted for trade liabilities) in the amount of PLN 1,464 million includes goodwill in the amount of PLN 1,114 million, trademarks with an indefinite useful life in the amount of PLN 44 million and assets due to the right of use in the amount of PLN 731 million.

The model for estimating the recoverable amount of assets in the Wholesale segment includes 5-year detailed cash flow projections based on long-term plans to develop and increase sales within the existing distribution networks, during which it was assumed, inter alia, average annual sales increase by 4.5% and a constant level of margin from 2022.

For revenues from sales, the growth rate in the residual period was assumed to be 2.5%.

The test assumes stabilization of flows, the discount rate used in cash flows is consistent with the weighted average cost of capital (WACC), calculated on the basis of the risk-free rate.

Other elements used in the calculation, such as the market risk premium, the beta factor and the capital structure are based on market data, adequate for the industry in which Eurocash operates - in relation to wholesale activities.

The weighted average cost of capital was adopted as the discount rate - WACC 6.69% (WACC 6.69% in 2020).

The value in use model for the Wholesale segment includes the full allocation of general and administrative costs.

The test result showed a significant surplus over the book value of assets.

In the Group's opinion, any rational change in the key assumptions adopted to measure the recoverable amount of the assets in the Hurt segment will not cause the carrying amounts of these units to exceed their recoverable amounts.

Moreover, the Management Board did not identify any premises for impairment of individual assets of the Wholesale segment and therefore did not conduct tests at this level.

Trademark impairment tests

The company also conducted separate impairment tests with respect to trademarks with an indefinite useful life, related to the wholesale business:

a) impairment test of the "Eurocash" trademark with a value of PLN 27 million as at 31 December 2021.

b) test for impairment of the trademark "abc" with a value of PLN 17 million as at 31 December 2021.

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

The trademark valuation method based on market license fees is based on determining the present value of future economic benefits resulting from trademark rights. This method is based on the assumption that the benefits of owning a trademark are equal to the costs that a given entity would have to incur if it did not hold the trademark but only used it under a license agreement at the rates applicable on the market. The fair value was classified to level 3 of the hierarchy.

The way to determine the market level of the license fee is to set a forecast for the sale of products marked with the valued trademark and to determine the rate of the license fee for the use of this trademark. The royalty rate is determined on the basis of an analysis of trademark lease agreements between unrelated parties within a comparable market segment.

The tests were based on the financial projections for 2022-2026. In order to determine the selected parameters of the projection, historical data for 2021 and approved by the Management Board of Eurocash S.A. were used. plans for 2022-2026. To determine the total level of sales, increases in sales of locations existing as at the test date were forecast.

The weighted average cost of capital was adopted as the discount rate - WACC (from 6.35%) (in 2020 WACC from 6.35%).

As a result of the analysis, it was confirmed that there is no need to make individual write-offs updating the value of these assets.

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 value were made in the event of premises for impairment and for the centers to which goodwill was allocated.

Kontigo

For the cash-generating unit of Kontigo, premises for impairment of assets were identified related to the continuing operating losses of Kontigo and the failure to meet sales budgets.

As a result of the impairment tests carried out on Kontigo's assets, i.e .:
- rights to use in the amount of PLN 11 million
- property, plant and equipment and intangible assets in the amount of PLN 11 million,
the recoverable amount of non-current assets was estimated based on the estimated fair value less costs to sell, therefore, impairment allowances were made in the total amount of PLN 16,7 million. The write-off related to the following assets: right of use - the amount of PLN 11 million, tangible fixed assets - the amount of PLN 5.7 million. The write-off related to the following assets: right of use - the amount of PLN 11 million, tangible fixed assets - the amount of PLN 5.7 million. The fair value determined in this way was classified to level 3 of the fair value hierarchy in accordance with IFRS 13.

Duży Ben
For the cash-generating unit Duży Ben, indications of asset impairment were identified, consisting in the continuing operating losses of the subsidiary Duży Ben related to the expansion of the project.
As a result of the tests for impairment of the assets of Duży Ben, i.e .:
- rights of use in the amount of PLN 76 million
- tangible fixed assets and intangible assets in the amount of PLN 28 million,
the recoverable amount of assets was estimated based on their value in use.
Value in use was estimated on the basis of the profitability level achieved by mature stores, which was observed for stores positioned on the market in previous years. As a result of the analysis, no impairment of assets was found; There were also no indications of impairment at the level of individual stores and no rational change in the assumptions adopted for the test will not result in impairment of the tested assets.

Frisco
For the cash-generating unit Frisco, impairment tests were carried out in relation to goodwill in the amount of PLN 195 million. The recoverable amount of a cash-generating unit with which goodwill is related and also includes:
- property, plant and equipment and intangible assets worth PLN 43 million, and
- rights of use worth PLN 80 million,
determined on the basis of the estimate of the fair value less costs to sell based on the valuations of the market value of Frisco, determined on the basis of the EV / Sales multiplier - in 2021 the subsidiary generated sales revenues of PLN 294 million. The fair value determined in this way was classified to level 2 of the fair value hierarchy in accordance with IFRS 13.
As a result of the test, no impairment of CGU Frisco's assets was found.
In the opinion of the Management Board, none is possible a rational change in sales revenues, which is the basis of the valuation, would not have the effect of equalizing the recoverable amount with the book value.

NOTE 8.

INVESTMENT PROPERTIES

Investment properties are presented below.

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

NOTE 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 31.12.2021	as at 31.12.2021	as at 31.12.2020
Opening balance	**13 093 250**	**24 619 456**
Increase in reporting period:	**280 507**	**7 180 227**
Acquisition of shares	0	6 627 160
Interest in profit	280 507	553 067
Decrease in reporting period:	**0**	**−18 706 433**
Sale of the associate	0	−18 706 433
Closing balance	**13 373 757**	**13 093 250**

NOTE 10.

OTHER LONG-TERM INVESTMENTS

Other investments are presented below.

OTHER LONG-TERM INVESTMENTS AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
Shares in other entities	436 480	524 990
Valuation of financial instruments	4 144 413	0
Other long-term financial assets	22 750	100
Total other long-term financial assets	**4 603 644**	**525 090**

NOTE 11.

LONG-TERM RECEIVABLES

Long-term receivables are presented below.

LONG-TERM RECEIVABLES AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020 Restated *
Security deposits on rental agreements	14 278 617	13 715 443
Other long-term receivables	310 013	2 350 000
Total long-term receivables	**14 588 630**	**16 065 443**

* Note 1

NOTE 12.

OTHER LONG-TERM PREPAYMENTS

Other long-term prepayments are presented below.

OTHER LONG-TERM PREPAYMENTS AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
Alcohol licences	0	6 600 332
IT licences	56 933	0
Rental of premises - premium	673 496	0
Insurance	250 000	400 000
Commissions	1 882 157	1 708 356
Other prepayments	1 513 305	986 817
Total other long-term prepayments	**4 375 891**	**9 695 505**

NOTE 13.

INVENTORIES

Inventories are presented below.

INVENTORIES AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
Merchandise	1 535 189 439	1 362 753 598
Materials	457 052	255 918
Total inventories, including:	**1 535 646 491**	**1 363 009 516**
- carrying value of stocks disclosed at fair value less costs of sale		0
- 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 31.12.2021	for the period from 01.01.2021 to 31.12.2021	for the period from 01.01.2020 to 31.12.2020
Opening balance	**41 665 897**	**41 181 752**
- increase in the allowance during the period *	8 916 439	484 145
- write-offs during the period *	0	0
Closing balance	**50 582 337**	**41 665 897**

** net value*

*** in the current financial statements for the first quarter of 2021 - in relation to comparative data - the closing balance of the write-off, presented in the financial statements for 2020, has been corrected*

NOTE 14.

TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables are presented below.

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020 restated **
Trade receivables	**1 332 245 738**	**1 309 239 675**
Receivables from clients	739 267 773	752 730 164
Receivables from suppliers	546 180 961	529 326 252
Receivables from franchisees *	16 763 774	16 424 543
Other trade receivables	61 216 930	66 547 798
Allowance for trade receivables	−45 205 922	−68 566 577
Franchise fees	14 022 221	12 777 495
Current tax assets	**4 689 846**	**28 735 480**
Other receivables	**171 327 055**	**112 572 474**
VAT settlements	130 164 909	75 833 701
Receivables from employees	536 156	567 982
Insurance claims receivables	314 745	800 765
Receivables from sales fixed assets	2 812 053	531 448
Receivables subject to legal proceedings	80 526 352	96 661 017
Other receivables (irrelevant individually)	19 987 585	19 960 334
Allowance for other bad debts**	−79 228 012	−95 447 480
Security deposits on rental agreements	0	512 417
Receivables due to payments by card	16 213 266	13 152 290
Total receivables, including:	**1 508 262 639**	**1 450 547 630**

- long-term	0	0
- short-term	1 508 262 639	1 450 547 630

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

*** mainly due to court cases receivables*

** Note 1*

As at 31 December 2021 (the values as at 31.12.2020 in brackets), factoring receivables reduce the total amount of trade receivables in the amount of: "program 1" - PLN 4.4 (0.0) million, "program 2 "- PLN 145.1 (96.7) million and" program 3 "- PLN 16.7 (16.8) million. The amounts decreasing the receivables were transferred to the Company's bank accounts and were recognized under cash. The receivables factoring programs used by the Company are characterized by different conditions due to their specific characteristics: "program 1" - is used to extend financing for the franchisees of the Company, which receives funds in the full amount of receivables on the payment date, "program 2" - allows the company to receive cash in connection with the assignment of receivables of a selected debt portfolio, "program 3" - discounts all the invoices of a selected, one customer of the Group in 100% of their value. Only in "program 2", the funds in the account are lower than the value of receivables presented for assignment to the factor, whose value as at 31 December 2021 amounted to PLN 172.7 million (PLN 133.6 million). In accordance with the judgment of the Company, the Company neither transfers nor retains substantially all the risks and rewards of ownership of the transferred asset and retains control (taking into account the fact that the factor cannot sell the insured receivables) over the transferred asset and therefore recognizes the transferred asset to the extent that it maintains involvement in it, i.e. the difference between the value of the assigned portfolio and the amount paid by the factor.

NOTE 15.

SHORT-TERM INVESTMENTS

OTHER SHORT-TERM INVESTMENTS AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
Valuation of financial instruments	14 448 695	0
Other short-term investments	361 575	310 325
Total other short-term investments	**14 810 271**	**310 325**

NOTE 16.

SHORT-TERM PREPAYMENTS

Short-term prepayments are presented below.

SHORT-TERM PREPAYMENTS AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
IT services	2 061 348	1 928 208
Alcohol licences	6 911 590	7 913 652
Rentals	6 477 794	7 505 215
Media	180 470	7 566
Advertising folders	13 134	14 454
Insurances	5 941 368	5 935 425
Tolls, vignette	0	25 221
Lease of commercial premises	0	2 786 943
Annual fees, subscriptions	110 554	0
Expenses related to future transactions	3 498 825	738 806
Commissions	3 475 839	3 027 432
Other short-term prepayments	11 815 576	7 819 515
Total other short-term prepayments	**40 486 498**	**37 702 436**

NOTE 17.

CASH AND CASH EQUIVALENS

Cash and cash equivalents are presented below.

CASH AND CASH EQUIVALENTS AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
Cash at bank	47 864 439	42 205 576
Cash on hand	7 609 116	8 040 255
Cash in transit	45 126 786	39 903 176
Cash on short-term deposits	9 059 335	14 730 911
Cash restricted to use	10 926 035	12 492 566
Others	5 000	119 323
Total cash	**120 590 711**	**117 491 807**

Cash on VAT accounts as at 31.12.2021 amounted to pln 7.661.605 (31.12.2020: PLN 12.492.566). 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 31.12.2021	as at 31.12.2021	as at 31.12.2020
Number of shares	139 163 286	139 163 286
Nominal value (PLN / share)	1	1
Share capital	**139 163 286**	**139 163 286**

As at 31 December 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:

	31.12.2021				31.12.2020			
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.	-	0,00%-	-	-		0,00%		

Luis Amaral holds a total of 44.04% of the shares of Eurocash S.A. directly and indirectly through:
- Politra B.V. S.A.R.L. with its registered office in Luxembourg, whose only shareholder holding 100% shares is Portugese Private Investment Ltd. with its registered office in Great Britain, whose only shareholder is Luis Amaral,

- 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 31.12.2021	for the period from 01.01.2021 to 31.12.2021	for the period from 01.01.2020 to 31.12.2020
Share capital at the beginning of the period	**139 163 286**	**139 163 286**
Increase of share capital in the period	**0**	**0**
Incentive programs for employees	0	0
Share capital at the end of the period	**139 163 286**	**139 163 286**

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 10.614.932 as at 31 December 2021 and PLN -21.734.503 as at 31 December 2020, 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.

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 advertising costs	Other provisions and accruals
Provisions and accruals as at 01.01.2020	**155 064 505**	**15 822 635**	**65 650**
Increase due to joining of subsidary	1 772 576	402 221	0
Increases*	29 881 975	2 542 934	0
Decreases*	−8 399 703	0	−65 650
Provisions and accruals as at 31.12.2020, including:	**178 319 353**	**18 767 790**	**0**
- short-term	166 532 059	18 767 790	0
- long-term	11 787 295	0	0
Provisions and accruals as at 01.01.2021	**178 319 353**	**18 767 790**	**0**
Increase due to acquisition	5 301 116	0	0
Increases*	14 690 441	16 248 021	0
Decreases*	−7 964 532	0	
Provisions and accruals as at 31.12.2021, including:	**190 346 378**	**35 015 812**	**0**
- short-term	180 578 334	35 015 812	0
- long-term	9 768 044	0	0

** net value*

	Provision for interests	Other	Total
Provisions and accruals as at 1 January 2020	**14 310 841**	**155 376 834**	**367 741 720**
Increase due to joining of subsidary	0	5 082 708	7 549 224
Increases*	3 953 776	33 042 163	75 936 464
Decreases*	0	0	(9 419 508)
Provisions and accruals as at 31 December 2020, including:	**18 264 617**	**193 501 704**	**441 807 899**
- short-term	18 264 617	190 139 785	426 658 686
- long-term	0	3 361 919	15 149 214
Provisions and accruals as at 1 January 2021	**18 264 617**	**193 501 704**	**441 807 899**
Increase due to acquisition	28 916	2 292 413	8 069 002
Increases*	0	28 632 382	71 510 552
Decreases*	(9 733 306)	0	(17 697 838)
Provisions and accruals as at 31 December 2021, including:	**8 560 227**	**224 426 499**	**503 689 615**
- short-term	8 560 227	217 082 819	491 324 691
- long-term	0	0	12 364 924

** net value*

PROVISIONS AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
Employee benefits	9 768 044	11 787 295
Current employee benefits	180 578 334	166 532 059
Accrual for advertising costs	35 015 812	18 767 790
Accrual for intrests	8 560 227	18 264 617
Accrual for costs of media	28 643 604	21 571 182
Accrual for advisory and audit	15 478 755	2 479 274
Accrual for costs of transport	16 697 095	11 383 252
Accrual for rental costs	28 363 485	14 744 846
Accural for IT modernist works	2 581 478	1 784 321
Accrual for bonuses	0	8 855 599
Accrual for concessions	2 190 974	2 528 459
Court cases, potential disputes and receivables canceled	32 989 117	32 447 438
Other provisions and accruals	142 822 690	130 661 767
PROVISIONS TOTAL	**503 689 615**	**441 807 900**
- long-term	12 364 924	15 149 214
- short-term	491 324 691	426 658 686

Provisions and liabilities for employee benefits

Provisions and liabilities for employee benefits include provision for retirement benefits in amount of PLN 10.253.466 (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 3.2%, 2.9% 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 2021.

Provision for interest

Provision applies to the estimated costs associated with unpaid liabilities for which contractual dates passed as at 31 December 2021.

It is expected that the reserve will be completed within 12 months from 31 December 2021.

NOTE 20.

TRADE AND OTHER PAYABLES

Trade and other payables are presented below.

TRADE AND OTHER PAYABLES AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2020
		restated*
Trade payables	**3 854 074 330**	**3 719 975 038**
Payables due to purchase of goods	3 600 618 251	3 425 362 327
* including suppliers financing program	*1 779 962 998*	*1 795 600 865*
Payables due to services received	199 549 026	230 702 093
Payables due to reversal of remuneration	53 907 052	63 910 618
Current tax liabilities	**18 049 131**	**11 793 488**
Other payables	**276 456 252**	**174 843 397**
VAT settlements	22 276 797	15 151 001
Liabilities due to purchases of assets	23 278 134	19 330 716
Liabilities due to social securities	53 769 904	56 632 100
Liabilities due to taxes and insurances	21 316 020	18 466 813
Liabilities from deposit	17 849 430	831 685
Option for purchase/selling the shares	115 838 349	49 561 267
Other payables	22 127 619	14 869 815
Total payables, including:	**4 148 579 712**	**3 906 611 923**
- long-term	73 736 231	3 651 826
- short-term	4 074 843 481	3 902 960 097

*Note 1

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 2021, the value of balances covered by the vendor financing program in the amount of PLN 1.779.962.998 was included, while as at 31 December 2020, the respective balance amounted to PLN 1.795.600.865.

As at 31 December 2021, the obligation to buy out non-controlling interests in Arhelan sp.z o.o. was recognized in the consolidated financial statements. in the amount of PLN 55,831,806.56, resulting from the share purchase / sale option pursuant to the share purchase agreement of 9 November 2021. As the basis for the valuation of the liability, the Management Board assumed the expected amount of the option exercise, however, according to the agreement, the earliest possible exercise date is 3 years from the date of purchase of the shares, ie 2024. The amount of the option exercise was determined based on the expected EBITDA in subsequent years using the multiplier specified in the contract, while the forecasts prepared by the Management Board of the Company, starting in 2023, plan to reorganize the subsidiary and reduce EBITDA, while in the following years, an increase in profitability is expected. at least to the level observed previously.

The option to buy / sell shares in company Frima Rogala is included in the short-term part, and in company Arhelan in the long-term part.

NOTE 21.

LOANS AND BORROWINGS

As at 31 December 2021, the Group has credit lines in the total amount of PLN 1.359,22 million, provided by 9 banks (including 3 syndicate banks). These limits were used as at the balance sheet date in the amount of PLN 804,9 million. Detailed information on credits and loans is presented in the table below

LOANS AND CREDITS AS AT 31 DECEMBER 2021

Credits	Credit destination	Liability amount	Interest rate
Body 1	Loan for financing current activity	8 814 302	WIBOR + bank's margin
Bank 1	Loan for financing current activity	61 270 546	WIBOR + bank's margin
Bank 2	Loan for financing current activity	31 102 547	WIBOR + bank's margin
Bank 3	Loan for financing current activity	186 498	WIBOR + bank's margin
Bank 4	Loan for financing current activity	12 763 195	WIBOR + bank's margin
Bank 3	Loan for financing current activity	180 596	WIBOR + bank's margin
Bank 2	Loan for financing current activity	8 188 802	WIBOR + bank's margin
Bank 5	Loan for financing current activity	6 140 390	WIBOR + bank's margin
Bank 6	Loan for financing current activity	213 840 000	WIBOR + bank's margin
Bank 7	Loan for financing current activity	75 000 000	WIBOR + bank's margin
Syndicate of banks	Loan for COVID financing	375 000 000	WIBOR + bank's margin
Bank 3	Loan for financing current activity	12 384 000	WIBOR + bank's margin
Total loans and credits		**804 870 876**	
- long-term		581 340 000	
- short-term		223 530 876	

The value of credit cost amounted to PLN 20.667.376 in 2021.

LOANS AND CREDITS AS AT 31 DECEMBER 2020

Loans	Credit destination	Liability amount	Interest rate
Bank 1	Loan for financing current activity	34 953 271	WIBOR + bank's margin
Body 1	Loan for financing current activity	9 911 275	WIBOR + bank's margin
Bank 2	Loan for financing current activity	412 926	WIBOR + bank's margin
Bank 3	Loan for financing current activity	8 680 723	WIBOR + bank's margin
Bank 4	Loan for financing current activity	27 514 302	WIBOR + bank's margin
Bank 3	Loan for financing current activity	49 423 271	WIBOR + bank's margin
Bank 2	Loan for financing current activity	12 100 931	WIBOR + bank's margin
Bank 5	Loan for financing current activity	181 659	WIBOR + bank's margin
Bank 6	Loan for financing current activity	222 750 000	WIBOR + bank's margin
Bank 7	Loan for financing current activity	75 000 000	WIBOR + bank's margin
Syndicate of banks	Loan for financing current activity	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's cost amounted to PLN 16.921.739 in 2020.

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 36.

NOTE 22.

OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented below.

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

More information on the issue of bonds is presented in pt 2.1.8.

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 2021 is PLN 128.013.840.

NOTE 23.

LEASE LIABILITIES

LEASE AS AT 31.12.2021	as at 31.12.2021	as at 31.12.2021	as at 31.12.2020	as at 31.12.2020
Future minimum lease payments due to lease agreements	minimum fees	present value of minimum lease payments	minimum fees	present value of minimum lease payments
Less than one year	406 467 416	400 784 932	362 390 646	355 921 916
Between one and five years	1 163 579 019	1 082 251 199	1 043 012 611	952 511 548
More than five years	793 520 669	618 762 465	792 401 851	571 357 690
Total future minimum lease payments due to llease agreements	**2 363 567 104**	**2 101 798 597**	**2 197 805 107**	**1 879 791 154**
Finance costs	261 768 508	X	318 013 953	X
Present value of minimum lease payments due to lease agreements	**2 101 798 597**	**2 101 798 597**	**1 879 791 154**	**1 879 791 154**

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 24.

INCOME TAX

Income tax for the reporting period is presented below.

TAX RECONCILIATION FOR THE PERIOD FROM 01.01 TO 31.12.2021	for the period from 01.01.2021 to 31.12.2021	for the period from 01.01.2020 to 31.12.2020
Profit before tax	**(939 707)**	**89 206 421**
Income tax calculated base on 19% income tax rate	178 544	(17 109 681)
Negative temporary differences, for which the deferred tax asset was not recognized in current year *	(62 642 478)	(25 162 843)
Adjustment of current tax of previous years	(1 136 924)	(352 760)
Impact of tax on permanent differences between the gross result and the tax base	(24 172 262)	3 234 203
Other differences, including PFRON	(10 629 608)	(456 140)
Income tax in income statement	**(98 402 728)**	**(39 847 221)**
Effective tax rate	10471,64%	44,67%

* relates to an unrecognized asset due to tax losses in the companies of the Group

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.

As at 10 March 2022, the appeal proceedings have not been completed. On 23 June 2021, the Head of the Wielkopolska Customs and Tax Office in Poznań issued a decision in which he specified the tax liability in the corporate income tax for 2015 in the amount of approximately PLN 22.5 million. The head of the Greater Poland Customs and Tax Office in Poznań thus stated that Eurocash S.A. was underestimated. 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 - evaluation of the initial value of intangible assets and legal (trademarks). In response to the above-mentioned decision, on 21 July 2021, the Company appealed. As at 10 March 2022, the appeal proceedings have not been completed. Due to the control, the Company created provisions which it recognized in previous reporting periods.

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 31.12.2020, 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 25.

DEFFERED TAX

Deferred tax is presented below.

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

	Statement of financial position		Income statement		Statement of other comprehensive income	
	as at 31.12.2021	as at 31.12.2020	for the period from 01.01.2021 to 31.12.2021	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2021 to 31.12.2021	for the period from 01.01.2020 to 31.12.2020
Deferred tax liabilities						
- difference between tax and carrying amount of fixed assets	25 505 159	38 684 747	(13 179 587)	(2 576 326)	0	0
- not invoiced income	60 949 872	58 428 374	2 521 499	757 952	0	0
- revenues from accrued interests	2 741 803	1 325 493	1 416 311	(64 608)	0	0
- lease liabilities	209 337	448 403	(239 066)	(311 132)	0	0
- income from contractual penalties unpaid	1 221 383	1 304 785	(83 402)	13 824	0	0
- valuation of hedging instruments	2 652 865	0	0	0	2 652 865	0
- recognition of a trademark due to the acquisition of shares	3 501 700	3 501 700	0	0	0	0
- other	6 669 895	6 497 146	172 749	637 820	0	0
Gross deferred tax liabilities	**103 452 015**	**110 190 647**	**(9 391 497)**	**(1 542 470)**	**2 652 865**	**0**

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

	Statement of financial position		Income statement		Statement of other comprehensive income	
	as at	as at	for the period	for the period	for the period	for the period
	31.12.2021	31.12.2020	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Deferred tax assets		0				
- bonuses	5 492 784	4 770 547	(722 237)	(2 181 334)	0	0
- allowance for inventories	7 634 861	6 353 013	(1 281 848)	(1 650 714)	0	0
- allowance for bad debts	20 211 666	22 531 719	2 320 053	1 306 611	0	0
- Impairment loss of fixed assets	0	0	0	2 763 472	0	0
- tax losses	9 752 291	17 791 537	8 039 246	(17 791 537)	0	0
- holiday accrual	6 514 253	4 241 786	(2 272 468)	2 720 571	0	0
- accrual for employees' bonuses	8 436 948	1 556 530	(6 880 418)	4 894 996	0	0
- unpaid payroll and social securities	4 067 824	5 952 847	1 885 023	(206 724)	0	0
- provision for retirement benefits, disability benefits, death benefits	1 746 648	1 630 405	(116 243)	(269 347)	0	0
- provisions for legal disputes	0	0	0	662 677	0	0
- accruals	41 860 273	26 198 656	(15 661 617)	(11 327 636)	0	0
- lease liabilities	170 097	(9 755)	(179 852)	168 090	0	0

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

	Statement of financial position		Income statement		Statement of other comprehensive income	
	as at	as at	for the period	for the period	for the period	for the period
	31.12.2021	31.12.2020	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Deferred tax assets						
- accrued interest on trade payables	199 710	28 030	(171 680)	1 474 294	0	0
- diference between right of use and lease liabilities	17 708 533	16 195 145	(1 513 387)	(11 145 795)	0	0
- asset for the cost of intangible services	8 544 171	9 656 334	1 112 163	514 504	0	0
- asset for future tax benefits	30 075 422	52 470 066	22 394 644	13 117 517 0	0	0
- other accruals	59 443 999	81 331 172	21 887 173	(23 259 227)	0	0
- valuation of hedging instruments	0	4 688 960	0	0	4 688 960	0
Gross deferred tax assets	**221 859 481**	**255 386 993**	**28 838 552**	**(40 209 582)**	**4 688 960**	**0**
Allowance of deferred tax asset	0	0	0	0	0	0
Deferred tax assets	**221 859 481**	**255 386 993**	**28 838 552**	**(40 209 582) 0**	**4 688 960**	**0**
Deferred income tax effect			**19 447 054**	**(41 752 051)**	**7 341 825**	**0**
Net deferred tax liabilities	**0**	**0**	**X**	**X**	**X**	**X**
Net deferred tax assets	**118 407 466**	**145 196 345**	**X**	**X**	**X**	**X**

NOTE 26.

SALES IN THE REPORTING PERIOD

Sales are presented below.

SALE IN THE PERIOD FROM 01.01 TO 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated *
Sale of goods	26 166 936 463	25 284 125 375
Sale of services	108 376 029	105 603 952
Sales of materials	6 118 320	8 866 276
Total sale	**26 281 430 813**	**25 398 595 604**

* Note 1

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 27.

COSTS BY TYPE

Costs by type are presented below.

COSTS BY TYPE IN THE PERIOD FROM 01.01 TO 31.12.2020	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated *
Depretiation	610 631 991	553 511 209
Materials and energy	225 120 970	211 648 036
External services	894 576 084	770 950 238
Taxes and charges	81 536 049	58 723 454
Salaries	1 238 704 889	1 236 972 976
Social security and other benefits	233 388 293	239 838 308
Other costs by type	45 129 063	99 173 067
Costs by type	**3 329 087 339**	**3 170 817 288**
including:		
Cost of services sold	0	0
Cost of goods sold	2 878 392 704	2 739 581 250
General and administrative expenses	450 694 635	431 236 038

* Note 1

NOTE 28.

OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are presented below.

OTHER OPERATING INCOME AND EXPENCES 01.01 TO 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated *
Other operating income	**110 728 312**	**152 767 877**
Penalties for suppliers	6 906 054	5 876 528
Other sales	10 269 771	8 319 365
Sub-lease of premises	9 937 013	8 907 481
Profit on sales of fixed assets	12 806 742	1 939 481
Compensation received	2 414 667	446 661
Revenus from transport services	0	313 820
Reversal of allowance for bad debts	2 272 184	6 948 754
Expired litigations and payables	46 383	228 935
Dissolution of the reserve for alcohol licenses	2 121 459	0
Donation received	184 888	369 226
Subsidies	1 340 123	0
Reversal of a reserve for inventories	3 125 890	0
Valuation of Frisco S.A. shares for the settlement of the acquisition	0	44 069 319
Settlement of VAT deposit	0	43 479 521
PFRON	1 252 024	0
Public and legal settlements	5 966 598	0
Income from previously terminated lease contracts	15 732 736	0
Other related to IFRS16	1 371 559	0
Other (irrelevant individually)	34 980 221	31 868 786
Other operating expenses	**(93 460 473)**	**(92 750 043)**
Loss from disposals of property, plant and equipment	(1 292 388)	(3 546 080)
Impairment loss on trade receivables and other financial assets	0	(7 570 410)
Impairment loss on trade receivables	(760 797)	0
Paid penalties	0	(799 146)
Compensations	(107 329)	(1 181 918)
Donations	(49 586)	(2 387 243)
Expired items, court cases, potential disputes and receivables canceled	(114 423)	(36 273 675)
Allowance for fixed assets	0	(6 389 696)
Advisory services	0	(5 000 000)
Write-off for closed locations **	(80 000 000)	0
Other (irrelevant individually)	(11 135 950)	(29 601 875)
Other net operating income / expenses	**17 267 839**	**60 017 834**

*Note 1

**Note 7

NOTE 29.

FINANCE INCOME AND COSTS

Finance income and costs are presented below.

FINANCE INCOME AND COSTS IN THE PERIOD FROM 01.01 TO 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Finance income	**28 639 290**	**31 344 910**
Revenues from discounts	8 706 234	11 256 274
Interest	6 482 655	7 881 994
Dividends	213 995	234 921
Other financial income (irrelevant individually)	13 236 406	11 971 721
Finance costs	**(127 389 170)**	**(174 406 232)**
Interest	(61 239 282)	(62 663 251)
Interest MSSF 16	(53 741 601)	(67 169 465)
Bank fees	(10 979 635)	(7 150 326)
Foreign exchange losses	(807 211)	(1 304 906)
Foreign exchange losses MSSF16	(198 977)	(32 695 061)
Other financial expenses (irrelevant individually)	(422 463)	(3 423 223)
Net finance expenses	**(98 749 880)**	**(143 061 322)**

NOTE 30.

EARNINGS PER SHARE

Earnings per share are presented below.

EARNINGS PER SHARE FOR THE PERIOD FROM 01.01 TO 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 resteted *
Earnings		
Profit (loss) for the period attributable to the Owners of the Company	(113 571 531)	43 095 326
Number of issued shares		
Weighted average number of shares	139 163 286	139 163 286
Dilution efect of potential number of shares:		
Convertible bonds	0	0
Weighted average number of shares (to calculate diluted earnings per share)	139 163 286	139 163 286
Earnings per share		
- basic	(0,82)	0,31
- diluted	(0,82)	0,31

*Note 1

Calculation of weighted average number of shares

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

Calculation of weighted average diluted number of shares

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

Description of factors diluting the number of shares

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

NOTE 31.

BOOK VALUE PER SHARE

BOOK VALUE PER SHARE AS AT 31.12.2021	31.12.2021	31.12.2020
Book value	699 121 094	916 407 363
Number of shares (excl. treasury shares)	139 163 286	139 163 286
Diluted number of shares	139 163 286	139 163 286
Book value per share	5,02	6,59
Diluted book value per share	5,02	6,59

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

NOTE 32.

REMUNERATION AND OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE PARENT IN THE PERIOD FROM 01.01 TO 31.12.2021	Basic salary	Other benefits	Managerial optoins	Total
Remuneration of the Members of the Management Board				
Luis Amaral	36 000	17 575	0	53 575
Rui Amaral	1 850 000	18 003	0	1 868 003
Arnaldo Guerreiro	1 210 000	54 516	0	1 264 516
Pedro Martinho	1 360 000	54 516	0	1 414 516
Katarzyna Kopaczewska	1 200 000	17 575	0	1 217 575
Jacek Owczarek	1 230 000	34 458	0	1 264 458
Przemysław Ciaś	990 000	36 003	0	1 026 003
Noel Colett	1 980 000	73 365	0	2 053 365
Total	**9 856 000**	**306 010**	**0**	**10 162 010**
Remuneration of the Members of the Supervisory Board				
Jorge Mora	229 908	0	0	229 908
Renato Arie	229 908	0	0	229 908
Francisco José Valente Hipólito dos Santos	229 908	0	0	229 908
Hans Joachim Körber	229 908	0	0	229 908
Przemysław Budkowski	232 494	0	0	232 494
Total	**1 152 124**	**0**	**0**	**1 152 124**

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE PARENT IN THE PERIOD FROM 01.01 TO 31.12.2020	Basic salary	Other benefits	Managerial optoins	Total
Remuneration of the Members of the Management Board				
Luis Amaral	349 357	17 357	0	349 357
Rui Amaral	3 567 600	17 600	0	3 567 600
Arnaldo Guerreiro	1 828 943	28 943	0	1 828 943
Pedro Martinho	1 227 153	29 153	0	1 227 153
Katarzyna Kopaczewska	1 817 357	17 357	0	1 817 357
Jacek Owczarek	1 903 777	43 777	0	1 903 777
Przemysław Ciaś	1 452 438	42 438	0	1 452 438
Noel Colett	1 726 958	46 958	0	1 726 958

Total	**13 873 583**	**243 583**	**0**	**13 873 583**

Remuneration of the Members of the Supervisory Board

Jorge Mora	225 610	0	0	225 610
Ewald Raben	181 443	0	0	181 443
Renato Arie	225 610	0	0	225 610
Francisco José Valente Hipólito dos Santos	225 610	0	0	225 610
Hans Joachim Körber	225 610	0	0	225 610
Przemysław Budkowski	44 167	0	0	44 167
Total	**1 128 050**	**0**	**0**	**1 128 050**

NOTE 33.

EMPLOYMENT

Number of employees as at 31.12.2021 is presented below.

NUMBER OF EMPLOYEES AS AT 31.12.2021	31.12.2021	31.12.2020
Number of employees	20 999	21 312
Number of full-time jobs	20 764	21 067

Employment structure as at 31.12.2021 is presented below.

EMPLOYMENT STRUCTURE AS AT 31.12.2021	Wholesale discounts and distribution centres	Head office	Total
Number of employees	18 649	2 351	**20 999**
Number of full-time jobs	18 482	2 282	**20 764**

Data concerning employee turnover ratios as at 31.12.2021 is presented below.

EMPLOYEE TURNOVER IN THE PERIOD FROM 01.01 TO 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Number of hired employees	5 676	5 169
Number of hired employees - Acquisitions	1 102	109
Number of dismissed employees	−7 091	−6 421
Number of dismissed employees - Sale of subsidiares	0	−42
Total	**−313**	**−1 185**

NOTE 34.

DATA OF ITEMS NOT INCLUDED IN THE FINANCIAL STATEMENTS

Contingenties as at 31.12.2021

	Beneficiary	Title	Currency	31.12.2021	31.12.2020
1.	Bank 1 *	Surety for the obligations due to the "Franchise partners financing program" for the Franchisee Delkatesy Centrum	PLN	184 020	714 908
	Total			**184 020**	**714 908**

Bank guarantees as at 31.12.2021

	The Issuer	Title	Currency	31.12.2021	31.12.2020
1	Bank 1	Security of payments to suppliers	PLN	129 623 200	134 577 500
2	Bank 2	Security of payments to suppliers*	PLN*	23 916 880	14 998 100
3	Bank 3	Security for using of the national roads	PLN	1 320 100	620 100
4	Bank 4	Security of excise duty	PLN	500 000	500 000
5	Bank 5	Security of rent liabilities	PLN	12 375 940	11 534 564
6	Bank 6	Security of rent liabilities*	PLN	40 607 762	41 038 435
7	Bank 7	Security of the liabilities of the promotion lottery	PLN	4 930 000	4 995 891
8	Bank 8	Security of liabilities due to proper realisation of the contract	PLN	2 643 016	8 875 182
				215 916 898	**217 139 772**

** - Guarantees in EUR have been converted into PLN according to the average exchange rate of the National Bank of Poland as of 31 December 2021, EUR 1 = PLN 4.5994 and as of 31 December 2020, EUR 1 = PLN 4.6148*

Other administrative proceedings

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

NOTE 35.

COLLATERALS

Title	Secured property	31.12.2021	31.12.2020
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 *	Mortgage on 13 properties	333 750 000	333 750 000
Financial leasing agreements (due to net value of fixed assets at the balance sheet date)	Ownership of fixed assets in leasing	28 194 113	26 465 142
		653 291 413	**651 562 442**

* at debt nominal value

NOTE 36.

FINANCIAL RISK MANAGEMENT

General information

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

a) Credit risk
b) Liquidity risk
c) Market risk (including interest rate risk and currency risk)

In addition, the Group implements a policy regarding:

- Capital management
- 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	31.12.2021	31.12.2020
Receivable and loans	1 373 717 897	1 357 402 474
Cash and cash equivalents *	112 981 595	109 451 552
Other financial assets	17 543 034	0
Total	**1 504 242 526**	**1 466 854 026**

* 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 24%. 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 76%. 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 40 in 2021. 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 2021, 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 31.12.2021	Trade receivables gross as at 31.12.2021	Trade receivables gross as at 31.12.2020
current	1 117 732 939	1 114 836 650
1-30 days	164 180 844	138 631 238
31-90 days	55 542 275	65 527 798
91-180 days	9 310 427	10 910 343
> 180 days	30 685 174	47 900 223
Total	**1 377 451 659**	**1 377 806 252**

ALLOWANCE FOR BAD DEBTS AS AT 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Opening balance	68 566 577	58 879 328
Increases*	0	9 687 250
Decreases*	−23 360 656	0
Closing balance	**45 205 922**	**68 566 577**

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 2021 amounted to PLN 1,915.0 thousand. PLN (as at 31 December 2020: PLN 2,157.0 thousand).

FACTORING LINES BY MATURITY DATE AS AT 31.12.2021

PLN	Factoring lines by maturity				TOTAL
	Short-term lines			Long-term lines	
	2Q 2022	3Q 2022	4Q 2022		
Factoring limits	860 000 000	230 000 000	350 000 000	475 000 000	1 915 000 000
Use as at 31.12.2021	764 973 610	226 997 202	349 959 586	438 032 581	1 779 962 978

FACTORING LINES BY MATURITY DATE AS AT 31.12.2020

PLN	Factoring lines by maturity				TOTAL
	Short-term lines			Long-term lines	
	2Q 2022	3Q 2022	4Q 2022		
Factoring limits	577 000 000	730 000 000	850 000 000	0	2 157 000 000
Use as at 31.12.2020	397 328 379	620 941 605	777 330 881	0	1 795 600 865

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 2021, 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 2021, there was a surplus of the Group's current liabilities over its current assets in the amount of PLN 1.99 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. 54% of the balance of trade liabilities) and financial instruments (approx. 46% 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 2021 amounted to PLN 1.78 billion. Trade liabilities covered by the reverse factoring agreements do not significantly change the terms of trade liabilities.

  As at 31 December the Group has active reverse factoring contracts with seven factors - renowned financial institutions, while the largest contract value of liabilities amounted to PLN 350 million as at 31 December 2021 (as at 31 December 2020 - PLN 560.6 million). The Group used factoring lines in 93% as at the balance sheet date, 31 December 2021, while in the previous year this use was 84%.
- The Group also has the option to discount receivables. The Group maintains receivables factoring programs, and their use as at 31 December 2021 does not exceed PLN 207.6 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

The financial plans prepared by the Management Board, covering operating and investment flows, indicate that the Group companies have sufficient sources of financing and maintain liquidity. Credit covenants included in credit agreements are monitored on an ongoing basis. As at the balance sheet date, 31 December 2021, the terms of the loan agreements were not violated. Moreover, the Group has unused credit limits. Considering the above, as at the date of approval of these consolidated financial statements, there are no circumstances indicating a threat to the loss of financial liquidity by the Group's companies. The debt of a financial nature mainly consists of:

- Partly resulting from IFRS16 balance sheet liability resulting from the valuation of lease agreements for logistics and commercial space and other tangible property, included in the balance sheet item "lease liabilities" in the amount of PLN 2,070 million. The repayment of these liabilities is usually made to entities which, as a rule, are not financial institutions and are most often made in the form of monthly rent payments.

- Liabilities for the repayment of bank loans, the total value of which is included in the balance sheet item "bank loans and credits". The limits granted under the financing agreements apply to:

* credit line in the form of a revolving loan up to PLN 600 million. As at 31 December 2021, the limit was used up to the amount of PLN 375 million (31.12.2020: PLN 250 million). The revolving line is the main financial security of the Group in the event of unfavorable financial scenarios and the need to implement recovery plans.

* flexible overdraft facility with a limit of up to PLN 90 million granted to Eurocash Serwis Sp. z o.o. As at 31 December 2021, the limit was used up to the amount of PLN 0.2 million, 31.12.2020: PLN 49,4 million with the availability od PLN 110 million.

* investment loan (EBRD) in the amount of PLN 225.75 million. As at December 31, 2021, the limit was fully used. The outstanding balance, taking into account the repayment made in June 2021, in the amount of PLN 8.91 million, amounts to PLN 213.84 million. As at 31.12.2020 the credit was fully used with availability of PLN 222,75 million.

* investment loan granted to Arhelan with the use of as at 31.12.2021 in the amount of PLN 12.4 million.

* loans to realize the benefits of optimizing cash as part of cash pool programs. The total limit of these programs granted to the Group (2 programs in two local banks) is PLN 138 million. The utilization by the Group as at 31 December 2021 was PLN 32.7 million, the use of this line was PLN 62.5 million and its availability was PLN 134 million.

* other credit lines in current accounts, not mentioned above. 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, including the lines secured by the BGK guarantee, as at 31 December 2021, amounts to PLN 305 million, and their use is PLN 162 million. As at 31.12.2020 the use of credit was PLN 96,4 million, with availability of PLN 185 million.
* liabilities to repay corporate bonds, the total value of which is included in the balance sheet item "Long-term financial liabilities". The issue program, launched in November 2020, allows for the issue of PLN 1,000,000,000 up to the total amount of all issues. The first issue took place in December 2020. As part of it, the Company issued PLN 125 million for a period of 5 years. The funds from this issue increased the pool of available credit lines, thus significantly reducing the risk of losing liquidity.

CREDIT LINES BY MATURITY DATE AS AT 31.12.2021

PLN	**Credit lines by maturity date**				**TOTAL**
	Short-term lines			**Long-term lines**	
	2Q 2022	3Q 2022	4Q 2022		
Credit limits	107 820 000	160 000 000	238 000 000	853 404 000	1 359 224 000
Use as at 31.12.2021	63 251 739	75 000 000	33 032 275	624 772 560	796 056 574

CREDIT LINES BY MATURITY DATE AS AT 31.12.2020

PLN	**Credit lines by maturity date**					**TOTAL**
	Short-term lines				**Long-term lines**	
	1Q 2021	2Q 2021	3Q 2021	4Q 2021		
Credit limits	95 000 000	13 910 000	134 000 000	120 000 000	888 840 000	1 251 750 000
Use as at 31.12.2020	35 366 197	9 091 659	114 615 233	58 103 994	463 840 000	681 017 083

The Group's Management Board recognizes that the maturity structure of the balance sheet assets and liabilities determines the maturity of the financing instruments. For this reason, as at 31 December 2021, the Group financed itself only with credits, loans, factoring and leasing. The strategy of matching the maturity of financing sources to the nature of assets allows the Group to remain flexible in the selection of financial instruments and ensures cost-effectiveness. Due to maintaining a relatively low financial leverage, the Group has the ability to select financing partners both on the local and foreign market.

- Other financial liabilities included in the balance sheet items "liabilities due to financing franchisees" and "other financial liabilities" respectively, and also in the off-balance sheet items related to contingent liabilities. The main components of these three groups of liabilities are two sets of contracts (they 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 agreement is PLN 40 million, while the use as at 31 December 2021 is PLN 16.8 million (liability recognized in the statement of financial position),
* sureties for the same franchisees under their financial agreements for the amount of PLN 0.18 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 2021	Net book value	< 12 months	1-5 years	> 5 years
Financial lease liabilities	2 363 567 104	406 467 416	1 163 579 019	793 520 669
Liabilities due to financing of franchisees	16 763 774	16 763 774	0	0
Trade and other payables	2 137 366 532	2 119 461 844	17 904 688	0
Option for purchase/selling the shares	115 838 349	60 006 807	55 831 542	0
Loans and borrowings	804 870 876	223 530 876	581 340 000	0
The issuance of debt securities	125 000 000	0	125 000 000	0
Supplier financing program	1 779 962 978	1 779 962 978	0	0
	7 343 369 613	**4 606 193 694**	**1 943 655 250**	**793 520 669**

restated*

AS AT 31 DECEMBER 2020	Net book value	< 12 months	1-5 years	> 5 years
Finance 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	0	0
Trade and other payables	1 959 406 388	1 955 754 562	3 651 826	0
Option for purchase/selling the shares	49 561 267	49 561 267	0	0
Other finance liabilities	21 098 152	21 098 152	0	0
Short-term loans and credits	690 928 358	227 058 411	463 869 947	0
The issuance of debt securities	125 000 000	0	125 000 000	0
Supplier financing program	1 795 600 865	1 795 600 865	0	0
	6 855 824 681	**4 427 888 447**	**1 635 534 384**	**792 401 851**

*Note 1

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 31.12.2021	Trade liabilities as at 31.12.2021	Trade liabilities as at 31.12.2020
		restated *
current	3 841 255 665	3 700 725 805
1-30 days	8 477 135	11 658 341
31-90 days	549 772	2 528 150
91-180 days	552 012	1 746 663
> 180 days	3 239 746	3 316 078
Total	**3 854 074 329**	**3 719 975 037**

* Note 1

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) Ryzyko walutowe

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 31.12.2021 in PLN	2 069 992 654
Value PLN	
agreements in EUR	430 601 803
agreements in PLN	1 639 390 851
Agreement currency value	
agreements in EUR	93 621 299
agreements in PLN	1 639 390 851

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.-31.12.2022	
Agreement currency value	
agreements in EUR	20 715 098
agreements in PLN	301 054 615

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	-4 306 018
1% increase of PLN currency	4 306 018
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	-952 770
1% increase of PLN currency	952 770

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 2021, the Group did not have any open positions in currency derivatives.

In 2022, we expect high volatility of exchange rates, mainly due to the war in Ukraine. Nevertheless, we believe that the exposure to this risk is so small that even this higher than usual volatility will not significantly affect the profitability and liquidity of the Group.

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.

31 December 2021	< 1 year	2-5 years	> 5 years	Total
Cash and cash equivalents	120 590 711	-	-	**120 590 711**
The issuance of debt securities	-	(125 000 000)	-	**(125 000 000)**
Reverse factoring liabilities	(1 779 962 978)	-	-	**(1 779 962 978)**
Factoring of receivables without recourse	(145 074 051)	-	-	**(145 074 051)**
Credits and loans	223 530 876	581 340 000	-	**804 870 876**

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)**

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:

FIXED AND VARIABLE INTEREST RATE INSTRUMENTS	31.12.2021	31.12.2020
Fixed interest rate instruments		
Financial assets	18 593 109	0
Financial liabilities	2 363 567 104	2 218 903 259
Variable interest rate instrument		
Financial assets	120 590 711	117 491 807
Financial liabilities	2 854 907 904	2 707 103 274

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. 2020.

	Income statement		Equity	
Sensitivity analysis	increases 100bp	decreases 100bp	increases 100bp	dereases 100bp
31 December 2021	(27 343 172)	27 343 172	6 754 905	(6 841 252)

31 December 2020	(25 896 115)	25 896 115	15 921 879	(16 268 404)

The sensitivity analysis covers, respectively:

• the impact of one-percent (up and down) changes in interest rates on debt instruments - in the amount of interest analyzed, assuming the debt value remains unchanged

• the impact of one-percent (up and down) changes in the yield curve on derivative instruments - in the amount equal to the change in the valuation of these instruments

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

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

Transaction date	Nominal value	Status	Start	End	Valuation as at 31.12.2021
26.06.2019	100 000 000	In progress	22.02.2021	22.02.2022	81 855,46
26.06.2019	100 000 000	In progress	29.01.2021	31.01.2022	35 191,33
06.06.2019	100 000 000	In progress	11.01.2021	11.01.2022	6 292,39
26.06.2019	100 000 000	In progress	18.01.2021	18.01.2022	11 162,46
26.06.2019	100 000 000	In progress	25.01.2021	25.01.2022	18 056,83
30.08.2019	100 000 000	In progress	02.09.2019	31.08.2022	1 208 047,65
30.08.2019	100 000 000	In progress	02.09.2019	31.08.2022	1 208 047,65
29.08.2019	100 000 000	In progress	02.09.2019	29.07.2022	1 069 398,72
28.02.2020	200 000 000	Before start	07.01.2022	09.01.2023	4 796 622,66
04.03.2020	100 000 000	In progress	08.01.2021	07.01.2022	14 279,23
09.03.2020	100 000 000	In progress	05.03.2021	06.03.2023	3 256 551,63
03.03.2020	100 000 000	Before start	04.03.2022	06.03.2023	2 710 544,03
07.04.2021	100 000 000	Before start	17.01.2022	16.01.2023	3 126 983,77
02.04.2021	255 319	In progress	02.04.2021	30.08.2024	10 356,52
02.04.2021	500 327	In progress	02.04.2021	15.10.2024	17 071,60
02.04.2021	1 674 859	In progress	02.04.2021	20.11.2024	59 483,55
02.04.2021	278 709	In progress	02.04.2021	31.01.2025	10 391,18
02.04.2021	17 593 620	In progress	02.04.2021	16.03.2026	952 771,94
					18 593 108,60

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

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

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

f) Risk of changes in fuel and energy prices

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

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

NOTE 37.

HEDGE ACCOUNTING

The Group applies cash flow hedge accounting. At the end of the reporting period, the Group applied hedge accounting for two hedging relationships: securing a risk component (base rate of variable interest) of a specific layer of the factoring agreement portfolio with the use of IRS contracts and securing the risk component (base rate of variable interest rate) leasing contracts with variable interest rates with the use of contracts The IRS.

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

Based on the 12-month historical interest rate volatility analysis, the Group concludes that the hedged risk component (i.e. the reference rate in the entire interest rate) historically represented an average of

26.1% of the total cash flow from the variable-rate factoring portfolio and an average of 11.2% of the total cash flow of the floating rate lease portfolio. The analysis was made on the basis of a 12-month history.

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

In the relationship securing leasing contracts, the Group determines whether there is an economic relationship between the hedged item and the hedging instrument by qualitative comparison of the key terms of the hedged item and the hedging instrument (the so-called critical terms match test).
If the key terms of the hedged item and the hedging instrument are very similar, the Group states that the above-mentioned The qualitative assessment is sufficient to conclude that there is an economic relationship between the hedged item and the hedging instrument.
In the case of hedging factoring contracts, the Group uses the BPV quantitative test to assess whether an economic relationship exists due to the mismatch in the timing of cash flows. A BPV test result of at least 80% indicates a high degree of linkage and therefore an economic link.

The Group determines the hedge ratio as the ratio of the nominal value of the currently used hedging instrument to the nominal value of the currently hedged item, ie the amount of the forecasted factoring transactions layer or the value of the lease contracts balance.

In terms of the applied hedging relationships to hedge cash flows in factoring contracts, the sources of ineffectiveness identified by the Group include mismatches in the timing of cash flows, a possible decrease in the balance below the level specified in the hedged item layer and the derivative counterparty credit risk.

As regards the applied hedging relationships securing cash flows in leasing contracts, the only source of ineffectiveness identified by the Group is the contractor's credit risk.
The Group does not identify other sources of ineffectiveness as regards the applied hedging relationships.

The tables below present the quantitative effects of the application of cash flow hedge accounting on equity and the profit and loss account.

INTEREST RATE RISK

	REMAINING TIME UNTIL MATURITY DATE	TOTAL

2021	To 1 month	1-3 months	3 months – 1 year	1-5 years	Over 5 years	
Nominal value	500 000 000	100 000 000	300 000 000	520 303 000	0	1 420 303 000
Average interest rate	1,56%	1,67%	1,50%	1,03%	0	1,36%

INTEREST RATE RISK

2020	REMAINING TIME UNTIL MATURITY DATE					TOTAL
	To 1 month	1-3 months	3 months – 1 year	1-5 years	Over 5 years	
Nominal value	400 000 000	200 000 000	0	1 300 000 000	0	1 900 000 000
Average interest rate	1,66%	1,69%	0	1,42%	0	1,51%

The table below discloses the impact of cash flow hedges on the balance sheet and the financial result of hedging instruments.

IRS INTEREST RATE RISK (PLN)		2021	2020
Nominal value		1 420 303 000	1 900 000 000
Balance sheet vaue	Assets	18 444 036	0
	Liabilities	0	21 098 152
Name of the balance sheet item that contains the hedging instrument		Financial assets	Financial liabilities
Change in the fair value of the hedging instrument used as the basis for recognizing the hedge ineffectiveness in a given period		18 544 036	-21 098 152
Hedge gains or losses for the reporting period that have been recognized in other comprehensive income		28 168 709	-25 978 964
The amount of hedge ineffectiveness included in the profit and loss account		49 073	0
Item in the statement of comprehensive income (income statement) that includes the amount of the ineffectiveness		Result on financial instruments at fair value through profit or loss	Result on financial instruments at fair value through profit or loss
Amount reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment		-11 473 478	-9 572 149
Item in the statement of comprehensive income (income statement) that includes a reclassification adjustment		Financial costs	Financial costs

The table below discloses the impact of the cash flow hedge on the balance sheet and the financial result of the hedged item:

2021 (PLN)	The change in the value of the hedged item used as the basis for recognizing the hedge effectiveness in a given period	The balance of the cash flow hedge reserve for continued hedging	Balance remaining in the cash flow hedge reserve for any hedging relationship for which hedge accounting is no longer applied
Liabilities under floating-rate factoring agreements in PLN	-17 624 106	17 414 098	0
Liabilities under floating-rate lease agreements in PLN	-1 050 075	1 042 641	0
TOTAL	**-18 674 181**	**18 456 739**	**0**

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

Changes in the cash flow hedge reserve:

INTEREST RATE RISK* **PLN**	**2021**	**2020**
AS AT THE BEGINNING OF THE PERIOD	**-21 098 152**	**-842 825**
Hedge gains or losses recognized in other comprehensive income during the reporting period	28 717 764	-29 827 476
Part of the loss transferred to the profit and loss account due to the lack of expectation of the occurrence of the hedged item	0	0
The amount reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment, including the following profit and loss lines:	-11 473 478	-9 572 149
Interest expenses	-11 473 478	-9 572 149
STATE AT THE END OF THE PERIOD	**18 593 109**	**-21 098 152**

*Excluding deffered tax

NOTE 38.

CLIMATE CHANGES

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

NOTE 39.

OTHER SUBSEQUENT EVENTS

Covid-19

In March 2020, SARS-CoV-2 coronavirus and its disease, referred to as the COVID-19, has started to spread out as a pandemic. Due to this fact, a number of preventive actions were taken to limit the spread in many countries, Poland among them. In the second half of March 2020, bans and restrictions has been introduced, among others, on conducting certain types of businesses. In the middle of the year, due to stabilization of the situation, part of previously recommended bans and restrictions were deleted. As of today, due to the growing number of cases, numerous restrictions and restrictions have been restored (including restrictions on the movement of children and the elderly, covering the mouth and nose in public places, restrictions on the operation of cinemas, theatres, restaurants and shops. The situation is very dynamic (both in Poland and abroad) so, the Eurocash Company constantly monitors the situation and complies with the recommendations of the Chief Sanitary Inspector and other authorities in Poland. The Company's activities to date have focused primarily on introducing recommendations of sanitary services aimed at limiting the spread of COVID-19 and ensuring, to the greatest extent possible, the safety of employees while allowing them uninterrupted work. Subsequently, the Eurocash Company focused on minimizing the effects of the negative impact of COVID-19, primarily in terms of sales. The costs incurred by the Company to date related to the COVID-19 pandemic were mainly in the area of HR and administration. They were associated with temporarily higher salary costs for employees and the purchase of personal protective equipment intended for them. 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 order to secure financial liquidity in the event of unfavorable epidemic scenarios, the Company uses additional financing as part of the anti-crisis shield. Details can be found in section 2.1.7. The pandemic situation was considered in impairment tests - for disclosures, see note 7.

NOTE 40.

IMPORTANT EVENTS AFTER THE PERIOD COVERED BY THE FINANCIAL STATEMENTS

The war in Ukraine

On 24 February 2022, Russian troops attacked Ukraine and an armed conflict began, which will certainly have long-term consequences not only for Poland or Europe, but also for the world.

In response to the invasion, US and EU representatives imposed sanctions on Russia. The sanctions package is intended, in particular, to hinder the conduct of international trade. The sanctions also include issues such as the disconnection of Russian banks from the SWIFT system, obstruction of the activities of the Russian central bank, or the closure of airspace to Russian planes. Canada, Switzerland and Japan also joined the various activities undertaken by the US, EU and Great Britain in February 2022. The introduction of sanctions caused, inter alia, suspension of the Russian stock exchange, a sharp increase in cash turnover, a collapse of the ruble exchange rate.

The role of Russia and Ukraine in the broadly understood international trade is concentrated in narrow sectors in which both countries are large producers. This applies to energy resources (natural gas and crude oil) and agricultural produce.

Therefore, there is a high probability that in the long run we will pay more for fuel, gas, electricity and food, which will probably result in a further increase in inflation observed since 2021.

Due to the close proximity of Poland to both countries, a sudden influx of emigrants from Ukraine began, currently estimated at over a million people. On the other hand, many people of Ukrainian origin, living and working in Poland, decided to return to Ukraine to take part in the war. Both in the short and in the longer term, it may be important for the Polish labor market.

Eurocash operates in the territory of Poland, so the impact of hostilities should not have a significant impact on its current operations. However, the company employs many people from beyond our eastern border and the potential outflow of some employees from Poland may have an impact on the current operations of the Company, although at the moment it is not noticeable.

However, the situation is very dynamic and it is difficult to predict the effects of hostilities in the long run. That is why Eurocash constantly monitors the situation both in Poland and abroad.

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

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

In connection with the situation in Ukraine, the Group also identifies an increased risk of depreciation of the Polish zloty and a potential increase in interest rates. Accordingly, in Note 36, the Group describes the nature of these risks and remedial actions.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

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

PART F

STATEMENT AND VALUATION OF THE SUPERVISORY BOARD

FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

KOMORNIKI, 14th April 2022

EUROCASH S.A. MANAGEMENT BOARD STATEMENT

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

- the annual financial statements of Eurocash S.A. and consolidated annual financial statements of Eurocash S.A. Capital Group and comparative data were drawn up in accordance with the applicable accounting principles and give, diligent, and transparent view of the economic and financial position of Eurocash S.A. and Eurocash S.A. Capital Group and of their financial performance for 2021,
- the report of the Management Board on business operations of Eurocash S.A. and Eurocash S.A. Capital Group in 2021 contains a true view of the development, achievements, and the position of Eurocash S.A. and Eurocash S.A. Capital Group, including the description of main risks and threats.

Komorniki, April 14, 2022

Valuation
of the Supervisory Board of Eurocash S.A. with reasoning
concerning the consolidated financial statements of the Capital Group
of Eurocash S.A. for 2021, the financial statement of Eurocash S.A. for 2021,
the Management Board report on the operations of Eurocash S.A. Capital Group for 2021
and the Management Board report on the operations of Eurocash S.A. for 2021
as regards their conformity
with books, documents and facts

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

1) the consolidated financial statement of the Capital Group Eurocash S.A. for 2021 and the financial statements of Eurocash S.A. for 2021,
2) the Management Board report on the operations of Eurocash S.A. Capital Group for 2021 and the Management Board report on the operations of Eurocash S.A. for 2021,
3) the reports from the examination of the separate and consolidated financial statements and the additional report of the auditing company for Audit Committee of the Supervisory Board of Eurocash S.A,
4) meetings with representatives of the audit firm,
5) recommendation of the Audit Committee of the Supervisory Board of Eurocash S.A. regarding the opinion on the audited financial statements,

made a positive valuation of:

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

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

In the opinion of the independent expert auditor the financial statements of Eurocash S.A. and the consolidated financial statement of Eurocash S.A. Capital Group present a reliable and clear picture of the assets and financial situation of Eurocash S.A. and Eurocash S.A. Capital Group as at 31 December 2021 and of the financial result for the financial year as from 01 January 2021 to 31 December 2021, in accordance with International Accounting Standards, International Financial Reporting Standards and accounting principles (policy), and is consistent as to form and contents with applicable laws.

In the opinion of the independent expert auditor the Management Board report on the operations of Eurocash S.A. for 2021 and Eurocash S.A. Capital Group in 2021 was prepared in accordance with the applicable regulations and is consistent with the information contained in the financial statements of Eurocash S.A. and Eurocash S.A. Capital Group.

In the opinion of the Supervisory Board of Eurocash S.A. the submitted financial statements for 2021, including the statement of financial position, the separate profit and loss account and the separate statement of comprehensive income, the separate statement of changes in equity and the separate cash flow statement, reflect correctly and reliably the result of the Company's business activity for the above financial year and the Company's assets and financial situation as at 31 December 2021.

In the opinion of the Supervisory Board, the submitted consolidated financial statement for 2021, including the consolidated statement of financial position, consolidated profit and loss account and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement reflect correctly and reliably the result of the business activity of the Company's Capital Group for the above financial year and the assets and financial situation of the Company's Capital Group as at 31 December 2021.

In the opinion of the Supervisory Board, the reports of the Management Board on the operations of Eurocash S.A. and Eurocash S.A. Capital Group for 2021 were prepared in a reliable and exhaustive manner.

Legal basis:

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

Komorniki, April 14, 2022

Dr Hans Joachim Körber
Chairman of the Supervisory Board

Renato Arie
Member of the Supervisory Board

Jorge Mora
Member of the Supervisory Board

Przemysław Budkowski
Member of the Supervisory Board

Francisco José Valente Hipólito dos Santos
Member of the Supervisory Board

Due signatures on the original

PART G

STATEMENT AND INFORMATION OF THE MANAGEMENT BOARD

FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

KOMORNIKI, 14th March 2022

EUROCASH S.A. MANAGEMENT BOARD STATEMENT

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

- the annual financial statements of Eurocash S.A. and consolidated annual financial statements of Eurocash S.A. Capital Group and comparative data were drawn up in accordance with the applicable accounting principles and give, diligent, and transparent view of the economic and financial position of Eurocash S.A. and Eurocash S.A. Capital Group and of their financial performance for 2021,
- the report of the Management Board on business operations of Eurocash S.A. and Eurocash S.A. Capital Group in 2021 contains a true view of the development, achievements, and the position of Eurocash S.A. and Eurocash S.A. Capital Group, including the description of main risks and threats.

Komorniki, April 14, 2022

Paweł Surówka
President of the Management Board

Luis Amaral
Member of the Management Board

Pedro Martinho
Member of the Management Board

Arnaldo Guerreiro
Member of the Management Board

Katarzyna Kopaczewska
Member of the Management Board

Jacek Owczarek
Member of the Management Board

Przemysław Ciaś
Member of the Management Board

Dariusz Stolarczyk
Member of the Management Board

Tomasz Polański
Member of the Management Board

Due signatures on the original

EUROCASH S.A. MANAGEMENT BOARD INFORMATION

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

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

Komorniki, April 14, 2022

Paweł Surówka President of the Management Board	Luis Amaral Member of the Management Board
Pedro Martinho Member of the Management Board	Arnaldo Guerreiro Member of the Management Board
Katarzyna Kopaczewska Member of the Management Board	Jacek Owczarek Member of the Management Board
Przemysław Ciaś Member of the Management Board	Dariusz Stolarczyk Member of the Management Board
Tomasz Polański Member of the Management Board	

Due signatures on the original

EUROCASH GROUP

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