EUROCASH S.A.

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE EUROCASH GROUP AND EUROCASH SA

FOR THE PERIOD FROM 1st of JANUARY 2022 TO 31st of DECEMBER 2022.

KOMORNIKI, 27th of March 2023.

Table of contents

1. SUMMARY OF EUROCASH GROUP OPERATIONS IN 2022 4

2. BASIC INFORMATION ABOUT THE EUROCASH GROUP AND EUROCASH S.A. 9

2.1. Market environment 9
2.2. Eurocash Group structure and sales formats 14
2.3. Number of establishments 2
2.4. Sales structure 3
2.5. Capital links of the Eurocash Group 3

3. DEVELOPMENT PROSPECTS OF EUROCASH GROUP 4

3.1. Assumptions of the strategy 4
3.2. Risks and threats; factors affecting the development of the Eurocash Group and Eurocash S.A. 5
3.3. Explanations regarding seasonality 16

4. DISCUSSION OF THE FINANCIAL RESULTS OF THE EUROCASH GROUP AND EUROCASH S.A. FOR 2022. 17

4.1. Rules for the preparation of annual consolidated financial statements 17
4.2. Key financial and operating data of the Eurocash Group 17
4.3. Profit and loss account - profitability analysis 23
4.4. Balance sheet data 24
4.5. Significant off-balance sheet items 26
4.6. Eurocash Group cash flow analysis for 2022. 27
4.7. Investment activities 29
4.8. Significant events and factors affecting Eurocash Group's financial results in 2022 30
4.9. Profit and loss account - profitability analysis of Eurocash S.A. 31
4.10. Balance sheet data 32
4.11. Significant off-balance sheet items 34
4.12. Eurocash S.A. cash flow analysis for 2022. 34

5. ADDITIONAL INFORMATION 36

5.1. Information on pending proceedings 36
5.2. Information regarding the conclusion by the issuer or its subsidiary of transactions with related parties 37
5.3. Information on transactions with related parties 37
5.4. Publication of forecasts 37

5.5. Changes in basic management principles 38
5.6. Agreements with Board Members guaranteeing financial offsets 38
5.7. Entity authorized to audit financial statements 39

6. CORPORATE GOVERNANCE 40

6.1. Statement on the application of corporate governance by Eurocash S.A. 40
6.2. Shareholder information 43
6.3. Diversity in the workplace 46
6.4. Authorities and bodies of the Company 47
6.5. Rules for amending the Articles of Association of the Company 57
6.6. Rules regarding the appointment and dismissal of managers and their powers, in particular the right to decide on the issuance or repurchase of shares 57
6.7. Employee share control system 57
6.8. Incentive and Bonus Program for 2022 Employees. 58
6.9. Main features of internal control and risk management systems in relation to the process of preparing financial statements 58
6.10. Information on the Audit Committee 60

7. STATEMENT ON NON-FINANCIAL INFORMATION 63

8. MANAGEMENT STATEMENTS 64

8.1. Selection of the entity authorized to audit the financial statements 64

ANNEX: Definitions of financial ratios presented in the management board report 65

1. SUMMARY OF EUROCASH GROUP OPERATIONS IN 2022

Table 1: Eurocash Group: summary of financial results for 2022.

PLN million	2022	2021	Change %
Revenue from sales of products, goods and materials	30 857,7	26 281,4	17,4%
Gross profit on sales Gross profitability on sales	4 232,8 13,72%	3 409,4 12,97%	24,2% 0.74 p.p.
EBITDA (EBIT + depreciation and amortization) (EBITDA margin %)	1 000,3 3,24%	708,2 2,69%	41,3% 0.55 p.p.
Operating profit - EBIT (Operating profit margin - EBIT %)	403,7 1,31%	97,5 0,37%	314,0% 0.94 p.p.
Gross profit	182,6	(0,9)	x20
Net profit/loss (Net profit margin %)	89,2 0,29%	(99,3) -0,38%	x1,9 0.67 p.p.

Sales revenues of the Eurocash S.A. Capital Group ("Capital Group" or "Eurocash Group") in 2022 amounted to PLN 30,857 million, 17.4% more than in the previous year. The increase was attributable to improved sales in all business segments. Eurocash Group's gross margin in 2022 increased by 0.74 p.p. y/y and amounted to 13.72%. EBITDA amounted to PLN 1,000.3 million in 2022 and increased by 41.3% y/y. Eurocash Group's net profit reached PLN 89.2 million.

Eurocash Group business segments

Chart 1. Eurocash Group: Revenue from sales of goods in 2022 by segment (PLN million)

Source: own elaboration

Sales of goods realized by the wholesale segment in 2022 amounted to 22.3 billion, compared to 19.3 million a year earlier, an increase of 15.8%. Sales of goods realized by the retail segment in 2022 amounted to PLN 7.7 billion, compared to PLN 6.4 billion in the previous year, an increase of 20.2% year-on-year. Sales of goods realized by the projects segment in 2022 amounted to PLN 761 million, compared to PLN 533 million last year. This represents a 43% year-on-year increase in the segment.

Below is a breakdown of merchandise sales revenue for 2022 by business segment.

Chart 2. Eurocash Group: revenues from sales of goods by retail, wholesale and project segments (%)

Source: own elaboration

Chart 3 Eurocash Group: wholesale segment sales by format (billion PLN)

Source: own elaboration

The largest share of wholesale segment sales is accounted for by Eurocash Service,- 40% and Eurocash Distribution - 36%. Eurocash Cash&Carry accounts for 23% of wholesale segment sales. Sales of Eurocash Gastronomy and Others amounted to 1% in 2022.

Chart 4 Eurocash Group: retail segment sales by format %)

Source: own elaboration

The retail segment in the Eurocash Group was responsible for 25% of sales revenue, while the wholesale segment accounted for 73%. Compared to 2021, the share of the retail segment increased by 0.6 p.p., while the wholesale segment fell by 1 p.p.

The retail segment consists mainly of stores under the Delikatesy Centrum brand. The largest share in the retail segment is held by own stores of the Delikatesy Centrum chain (operated by 100% subsidiaries: Delikatesy Centrum sp. z o.o., Podlaskie Delikatesy Centrum sp. z o.o., FHC-2 sp. z o.o. and Madas sp. z o.o.) and run together with partners (Firma Rogala sp. z o.o. and its subsidiaries and new Delikatesy Centrum-Arhelan stores run by Arhelan sp. z o.o.) - 48%, then by Delikatesy Centrum franchisees - 35%. Arhelan stores Polski Sklep run by Arhelan sp. z o.o. generate 9% of the revenues of the retail segment. The retail segment also includes sales of Inmedio kiosks, which accounted for 8% of segment revenues.

The Projects segment showcases initiatives that are in a period of rapid growth, building their market position while having an increased risk profile. Key elements here are: Frisco, a national leader in online grocery shopping, and Duży Ben, a fast-growing chain of liquor stores.

Chart 5. Frisco: Revenues 2019-2022

Source: own elaboration

Chart 6 Duży Ben: Revenues in 2019-2022

Source: own elaboration

2. BASIC INFORMATION ABOUT THE EUROCASH GROUP AND EUROCASH S.A.

2.1. Market environment

Key macroeconomic data

Eurocash Group operates in the territory of Poland. The macroeconomic environment of the local economy has had and will continue to have a significant impact on the Group's financial performance and development.

The pace of economic development, the level of household income and other macroeconomic factors have a significant impact on the level of people's spending and domestic demand, thereby indirectly affecting the Group's sales revenue.

Table 2: Macroeconomic data in Poland

	2022	2021	2020
GDP growth* *(in %)*	4,9	6,8	-2,0
Registered unemployment** (*in %*)	5,2	5,4	6,2
Dynamics of the average monthly salary in PLN (in %)	12,1	9,6	5,1
Consumer price growth rates *(in %)*	14,4	5,1	3,4

Source: Central Statistical Office

** CSO preliminary estimates.*

*** Year-end balance.*

Chart 7 Macroeconomic data: GDP growth vs. registered unemployment

Source: Central Statistical Office

Chart 8 Macroeconomic data: inflation vs. wage growth in Poland (nominal)

Source: Central Statistical Office

Poland's economic growth, as measured by GDP growth at constant prices, was estimated by the Central Statistical Office in 2022 to 4.9%, compared to 6.8% in 2021. Consumer inflation of goods and services averaged 14.4%.

The increase in the cost of doing business, which is significantly linked to wage growth, is also having a significant impact on business in Poland. Only in 2022 the real wage growth was below inflation. In 2022, the growth rate of the average monthly wage was 12.2%.

Prices of food and non-alcoholic beverages in the fourth quarter of 2022 rose 17.3% year-on-year in 2021, while prices of alcoholic beverages and tobacco products rose 10.2% year-on-year.

As of the end of December 2022, the country's registered unemployment rate had decreased by 0.2 p.p. from a year earlier and stood at 5.2%.

Polish FMCG market - general information

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

Chart 9 Structure of the retail grocery market in Poland by value

Source: own compilation based on PMR data[1]

The total value share of large-format stores has been shifting in favor of discount chains for several years. This trend, according to PMR agency's analysis, will continue.

Sales of stores that remain on the market are growing, according to Nielsen data, translating into a 12.2% y/y increase in the value of small-format store sales. Sales of stores from 41 to 100 m^2 recorded an increase of 15.4% y/y. Small supermarkets 101-300 m^2 recorded an increase of 12.3% y/y, and stores up to 40 m^2 recorded an increase of 6.5% y/y. Among large formats, discounters recorded sales growth of 22.1% y/y, while large supermarkets grew 13.6% y/y. The hypermarket segment recorded sales growth of 10.6% y/y in 2022.

[1] *'Groceries 0-500 sqm+liquor stores'='Groceries & small groceries'+' Small supermarkets 151-500 sqm'+' Convenience'+' Alco stores'; 'Supermarkets'=' Supermarkets 501+ sqm'; 'Others'='Alternative channel'(Bazaars, specialist stores and others where food is only complementary to the main product range)+'Kiosks'+'Petrol stations'+'E-grocery'*, Feb 23

Chart 10: Sales dynamics in the food market by distribution channel

Source: Nielsen Retail Panel, value sales, period: January 2020 - December 2022, Food categories

Chart 11: Sales dynamics in the food market in small-format stores

Source: Nielsen Retail Panel, value sales, period: January 2020 - December 2022, Food categories

According to Nielsen data, the value of the overall grocery market in Poland increased by 16.2% in 2022 compared to 2021.

Wholesale distribution market for FMCG products

Wholesale companies operating in the market for the distribution of FMCG products compete primarily within the supply of traditional general stores, grocery specialty stores (butcher stores, bakeries, candy stores, fruit and vegetable stores, liquor stores, fish stores) and so-called alternative channels including kiosks, gas station stores and HoReCa (hotels, restaurants, catering).

Trends in the Polish FMCG market

Over the past decade, a gradual equalization of the market share of the two FMCG retail channels, i.e. the large-format and traditional channels, has been observed. Currently, according to Nielsen data, large-format stores (supermarkets, hypermarkets and discounters) control about 64% of the main retail channels, while small-format and specialty stores control about 36%[2] . However, in Eurocash's view, there is no indication of a further significant reduction in the role of small-format retail in the coming years. This is supported by both external (demographic structure) and internal conditions (consisting primarily in the emergence of consolidation and modernization mechanisms that enable effective competition with large-format outlets). One of the manifestations of this trend is the association of stores up to 300 m^2 in franchise networks, both traditional (being a de facto form of loyalty programs) and modern (strongly linking retailers to the source of purchases). According to our estimates, already more than half of traditional grocery stores are affiliated with franchise networks: in 2021 it was 52%, and in 2022 the estimated share rises to 57%[3] .

The last three decades have witnessed a progressive consolidation of the market for wholesale distribution of FMCG products. The period of the last dozen years or so has brought a reduction in the number of wholesale companies involved in the sale of FMCG products to about 3-4 thousand entities operating today.

[2] *Source: Nielsen Retail Panel, value sales, period: January 2020 - December 2022, Food categories*
[3] *Source: Own estimates*

2.2. Eurocash Group structure and sales formats

Eurocash Group is the largest Polish capital group engaged in the wholesale distribution of food products and marketing support for independent Polish retail entrepreneurs. The franchise and partner networks supported by Eurocash Group bring together more than 15,000 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 on the wholesale distribution of goods to customers in all relevant segments of the traditional grocery market, particularly for retail stores, convenience stores, gas stations and restaurant, hotel and café chains.

Chart 12 Eurocash Group: support of small format stores

Source: own elaboration

Below we present the Eurocash Group's key financial and operating data by the following segments and distribution formats:

Wholesale - wholesale distribution format:

- **Eurocash Distribution** - which includes:
  - Companies engaged in active distribution (Eurocash S.A., AMBRA Sp. z o.o., Polska Dystrybucja Alkoholi sp. z o.o.);
  - Companies that organize and support franchise and partner networks of retail stores:
    - Eurocash Sieci Partnerskie Sp. z o.o. (formerly: Groszek sp. z o.o.): abc, Groszek, Euro Sklep chains;
    - Lewiatan network: 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** - nationwide chain of discount wholesalers
- **Cigarettes and impulse products** - active distribution of tobacco products and impulse products through Eurocash Serwis Ltd;
- **Eurocash Gastronomy** - supplies for restaurant and hotel chains;
- **Other -** proceeds from the sale of Cerville Investments Sp. z o.o.

Retail - Eurocash Group retail sales and Eurocash wholesale sales:

- **Delikatesy Centrum**:
  - **Delikatesy Centrum franchise stores** - franchise system for retail stores under the "Delikatesy Centrum" brand, organized by Eurocash Franczyza sp. z o.o. (sales and wholesale margin);
  - **Delikatesy Centrum own stores** - own stores, managed under 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 the shares) and Arhelan sp. z o.o. (as of May 2022, Eurocash holds 50% of shares)
- **Lewiatan Partner** - own stores under the Lewiatan brand, managed by Partner Sp. z o.o. (Eurocash holds 100% of shares; sales and retail margin;
- **Inmedio** - newsstands operating under the Inmedio and Inmedio Trendy brands.

Projects - sales revenues generated by new projects carried out by Eurocash S.A. and 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..

Other - sales revenues and costs of other companies and costs of central departments not allocated to any of the above segments.

Eurocash Group operations are concentrated in the area of Poland.

Chart 13 Eurocash Group: organizational structure as of 31.12.2022.

2.3. Number of establishments

As of December 31, 2022, the Eurocash Group's wholesale trade network included 178 Cash & Carry stores. On the other hand, 5,798 stores were affiliated in franchise and partner networks cooperating with Eurocash Distribution. The largest format in terms of the number of outlets was the abc chain with more than 7,300 stores.

The retail chain, meanwhile, included 1,522 small supermarkets (under 500 sqm), including 1,483 operating under the Delikatesy Centrum brand, and 422 Inmedio newsstands. There were 305 stores operating under Duży Ben brand, 101 more than at the end of 2021.

Table 3: Eurocash Group: number of facilities

	status as of 31.12.2022.	status as of 31.12.2021.
"abc" stores network	7 351	9 149
Franchise and partner networks*	5 798	5 570
Inmedio and Inmedio Trendy stores	422	417
Small Supermarkets	1 522	1 608
INCLUDING: Delikatesy Centrum brand	*1 483*	*1 569*
Arhelan**	106	104
Duży Ben	305	204
TOTAL STORES	15 504	17 052
Cash & Carry Wholesalers	178	179

**Groszek, Euro Sklep, Lewiatan, PSD.*
*** In 2022, 6 Arhelan stores were included under the Delikatesy Centrum brand due to the opening of new stores under the Delikatesy Centrum-Arhelan logo*

Source: own elaboration

2.4. Sales structure

Eurocash Group sales are dominated by basic food and beverages (including soft drinks and alcoholic beverages). In 2022, the share of these products was about 67% of sales value. The second most important commodity group was tobacco products, phone cards and prepaid top-ups, whose share in 2022 was nearly 29%. The rest were non-food items, including mainly cosmetics, household chemicals, OTC drugs and others.

2.5. Capital links of the Eurocash Group

The main shareholder of Eurocash is Mr. Luis Amaral (directly and indirectly) as of 31.12.2022 holding 44.04% of the Company's shares, who has served as Chairman of the Company's Supervisory Board since June 30, 2022.

Detailed information on the organization of the Eurocash Group with an indication of the entities subject to consolidation is included in the notes to the annual consolidated financial statements.

The Group's parent company is Eurocash S.A., which makes most of the Group's sales. The diagram presented in Figure 11 shows the structure and subordinated units of the Group as of 31.12.2022.

3. DEVELOPMENT PROSPECTS OF EUROCASH GROUP

3.1. Assumptions of the strategy

The Management Board of Eurocash Group, through its actions, aims at sustainable development of the Group's business and its customers. The overriding goals of Eurocash Group are to ensure the competitiveness of independent retail stores in Poland, to offer added value to the Group's customers and to increase the Group's value for its shareholders.

On August 29, 2022, the company published the Strategy for the Eurocash Group for 2023-2025, adopted by the Management Board.

According to the Strategy, the Eurocash Group will focus on further development of its core business in 2023-2025:
- In the area of Wholesale: the Eurocash Group's goal is to further develop omnichannel wholesale (multi-channel sales), which is expected to lead to increased loyalty of B2B customers, further building of cost and sales synergies, and, consequently, to improve purchasing conditions and double B2B e-commerce sales; Eurocash intends to strengthen its leading position on the wholesale market in Poland and significantly increase its customers' sales in this segment;
- In the area of Franchising (organizer of franchise and partner networks): concentrating investments in the development and positioning of franchise and partner networks, increasing the number of networked stores and market share; further development of Delikatesy Centrum based on the franchise system, including with partners;
- The third direction of the Group's development will be the technology platform: integrated loyalty program , the creation of a leading POS platform in independent trade, the growth of Frisco's share of B2C ecommerce trade and the achievement of Frisco's 1 billion revenue by the end of 2025
- Responsible development activities (described in detail in the 2022 Non-Financial Activity Report) are also an important element of the Strategy.

At the same time, the Company's Management Board decided to focus on improving the profitability of non-core/non-strategic operations - which include Delikatesy Centrum's own store segment, reducing or discontinuing its development.

As a result of implementing the Strategy, the Eurocash Group plans to achieve an EBITDA result of PLN 1 billion (before IFRS 16) in 2025. The Management Board estimates that in 2023-2025 the cumulative increase in cost efficiency will amount to PLN 100 million EBITDA.
Eurocash's management will aim to stabilize the financing structure at a ratio of 1.5x Net Debt/EBITDA (before IFRS 16), with temporarily higher ratio levels to take advantage of the opportunity to expand market share.

Eurocash's goal is to return to regular dividend payments to shareholders, with the terms and amount of the dividend taking into account the terms and structure of the financing to which the Group will be a party.

The Group pursues its strategy through:

- meeting customer needs using a variety of distribution formats and forms of cooperation, and providing customers with the expected level of quality and service;
- creating sustainable competitive advantages for the Group through economies of scale;
- systematic cost optimization and integration of the operating systems of all business units operating within the Group.

On the other hand, as part of its wholesale business, the Eurocash Group will focus on integrating individual business units, sharing the best solutions developed by each format and realizing group synergies. Further development of the wholesale business should also be supported by the eurocash.pl platform, which gives owners of independent retail stores the opportunity to indirectly reduce costs and, above all, better address consumer needs. In 2022, the number of buyers through it increased to nearly 17,000 (22% y/y growth), and turnover accounted for 54% of sales (16% y/y growth).

One of the Group's strategic goals is to create a leading POS platform in independent trade. As of the end of 2022, 3767 stores are integrated with the platform (1,452 more than at the end of 2021). In addition, the Group has entered into a partnership with Comp S.A. which will further expand the platform's reach - nearly 1,000 stores to be integrated and plans for further joint development.

In order to realize the Group's strategic ambition of creating one effective retail organization with an integrated loyalty program, a new business unit - Eurocash Partner Networks - was established in 2022. The unit will ultimately combine the Groszek, Euro Sklep and abc chains

In order to maintain the competitiveness of the independent store trade in Poland, Eurocash Group is developing innovative projects. After successfully implementing concepts in previous years, such as Faktoria Win and distribution of fresh products, the Company has decided to develop Duży Ben companies (alcohol markets run in an agency model) and Frisco (e-commerce).

3.2. Risks and threats; factors affecting the development of the Eurocash Group and Eurocash S.A.

The financial risks are described in Note 35 to the consolidated financial statements for 2022, which is part of the Eurocash Group's annual report, and in Section 2.1 and Note 36 of the separate financial statements for 2022.
Other significant risk factors related to Eurocash Group's operations are presented below.

External Factors

Macroeconomic situation. The purchasing power of the population.

A slowdown in economic growth, a decline in purchasing power and a reduction in household spending on consumption may have a negative impact on the Group's sales volume.
The impact is mitigated by wage increases, including the minimum wage, increases and the number of pensions paid out, as well as heating and electricity subsidies and the so-called credit vacation for mortgages. Management continuously monitors the execution of budgets in terms of both executed sales plans and the challenges posed by the pressure of rising costs, and responds to emerging risks.

The year 2022 brought a high increase in inflation, especially in food products traded by the Group. Leading research companies and banks predict a continuation of low double-digit inflation levels in 2023. In the fourth quarter of 2022, consumer goods and services inflation reached 17.3% y/y. - so far, this has not reduced the value of consumer purchases. On the other hand, this phenomenon may lead to increased cost pressures for the Company, including through wage increases. In 2023, there will be two increases in the minimum wage - in January to PLN 3490 gross and in June to PLN 3600 gross (19.6% y/y). Since the Group makes sales in Poland, its competitive position should not be affected by this factor. Since a significant part of the cost of sales is logistics costs, which depend strictly on fuel and electricity prices, their significant changes may affect the Group's results. A dynamic increase in energy prices also affects the operating costs of retail outlets or distribution centers.

Growth of the FMCG market and changes in market structure

The Group expects a further increase in the market share of discount distribution channels, but the adverse impact of this process on the Group's revenues will be offset by an increase in the value of the FMCG market and consolidation in the wholesale and retail markets. The number of independent stores will continue to decline, but those remaining on the market will become stronger and more professional. Between 2017 and 2022, the number of stores up to 500 m^2 in Poland fell from 75,300 to 58,400, or by nearly 1/5[4] . At the same time, estimated sales per such store increased nominally by 70%[5] , with 27% cumulative inflation[6].

In 2022, the small-format distribution channel was an important form of retail distribution of FMCG products, with a share of 36.2%[7]. Such a high share (compared to other European countries) is a result of the low concentration of population within the country, as well as the still small residential

[4] *Source: PMR, stores 500m2 as sum of „Small supermarkets (151-500 sqm)", „Groceries & small groceries", „Convenience", „Alco stores"*
[5] *Source: CMR and own elaboration based on estimates of the size of the food wholesale market*
[6] *Source: CSO*
[7] *Source: Nielsen Retail Panel, value sales, period: January 2022 - December 2022, Food categories*

space, causing more frequent shopping. Such a situation is favorable for the Eurocash Group, for which small and medium-sized stores located outside large agglomerations are the most important group of customers. The increase in the share of large-format distribution, including the expansion of discount stores, responsible for 41.2%[8] of sales in Poland in 2022, may reduce the market in which Eurocash Group operates.

COVID-19

The impact of the COVID-19 pandemic is being analyzed by Eurocash Group on an ongoing basis and the company's Management Board is monitoring the current situation. All implemented solutions are in accordance with the recommendations of the Chief Sanitary Inspector, Ministry of Health. On the basis of the analysis, the Group's Management Board has found no significant uncertainty regarding the possibility of operation of the Parent Company and its subsidiaries in the future.

War in Ukraine

Armed operations conducted in Ukraine by Russian troops have significantly affected many areas of the Group's operations such as disruptions to supply chains and the resulting shortages of raw materials at producers or migration movements within Poland
The Group analyzes the situation on an ongoing basis through the activities of the crisis staff, taking actions that allowed to minimize the impact on the Group's operations in terms of the occurrence of threats to its business or the achievement of its objectives.
In addition, the Eurocash Group actively joined in helping Ukraine by organizing many collections of necessities and actions to support workers from across our eastern border. Among other things, the Group has implemented a program to support Employees from Ukraine, in cooperation with Temporary Employment Agencies.

Liquidity and financing

The liquidity risk management policy is to ensure that the Group has the necessary funds to meet its financial and investment obligations when they fall due, without incurring reputational risks and unnecessary losses. The Group's goal is to maintain a balance between continuity, flexibility and cost-effectiveness of financing by using a variety of sources, such as bank loans (including overdrafts), borrowings, bond issues, leasing agreements and reverse factoring. As part of its liquidity management, the Group uses reverse factoring agreements for its accounts payable, under which it factored invoices relating to purchases from selected suppliers. The basis for effective liquidity risk management in the Eurocash Group is an internal cash flow forecasting model. The Group's liquidity management focuses on detailed analysis, planning and taking appropriate actions.

Internal Factors

[8] *Source: Nielsen Retail Panel, value sales, period: January 2022 - December 2022, Food categories*

Integration of Wholesale

As part of its strategy, Eurocash Group plans to focus on its wholesale business. It plans to achieve cost and revenue synergies from deepening the integration of various wholesale formats. This requires IT and reorganization projects in the areas of logistics, sales service, administration, among others. Estimates of potential synergies and their effective implementation are subject to risks.

Suppliers

Due to the range of products offered by the Eurocash Group and geographically diversified sales, the sum of the Group's suppliers is very large and included 1257 domestic and foreign entities as of December 31, 2022. Suppliers of branded products, which include leading manufacturers and importers of FMCG products, are selected primarily based on their market shares, the importance of a given brand, and coverage of specific product segments and regional diversification. Due to the nature of the market for FMCG products and its competitiveness, the Group's business is not dependent on individual suppliers, so the risk that the termination or unfavorable changes in the terms of supply agreements could adversely affect the Eurocash Group's business and financial results is limited.

Investment in strategic development projects

Eurocash Group continues to invest in the design segment, primarily through Duży Ben and Frisco concepts. The results of these projects may have a negative impact on the Group's current results. However, in the Management Board's opinion, there is a need to continue these investments in order to guarantee further growth in the long term and for them to gradually reach profitability.

Establishment of the Tax Capital Group

On December 30, 2022, a decision was issued on the registration of the Tax Capital Group (PGK), as requested by the Company. The agreement itself was concluded on 15.11.2022 between Eurocash S.A. and selected subsidiaries and is valid for a fixed period, i.e. from 01.01.2023 to 31.12.2025, with the possibility of later extension. The Company assumes that the implementation of the project for the establishment of PGK will result in the facilitation of tax settlements and reduction of tax liabilities of Eurocash Group companies.

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

Risk management

The Eurocash Group has implemented a risk management system based on developed mechanisms and tools relating to the main business processes taking place in the Group and external factors affecting the Group.

The risk management system is based on: identifying, measuring and assessing risks, monitoring their level and reporting to governing bodies. Identification of risk factors is carried out on a continuous basis and at all levels of the organizational structure. On the basis of risk analysis and assessment, mechanisms are developed to minimize the consequences of undesirable events and financial losses.

Chart 14: Structure of the risk management system in the Eurocash Group

Eurocash Group operates a risk management system that covers all aspects of the business of its member units. The purpose of the implemented system is to ensure that the Eurocash Group's objectives can be achieved and also to provide adequate support for the creation of strategies as well as decisions taken. As part of the Group's risk management process, regular meetings are held with the Management Board to discuss the most important issues in the area of risk management.

The system is based on key foundations such as risk identification, assessment taking into account both the impact and likelihood of an event, appropriate reporting and communication within the organization, addressing actions and also assigning responsibilities within the Group. This is done within defined risk areas with assigned responsibilities within each area.
The implemented solutions are subject to a unified system of assessments, to which appropriate actions are assigned to address the identified risks, depending on the level of assessment obtained.
The continuous risk monitoring that has been implemented refers to both internal and external factors. Thus, such factors affecting the Group's operations as the conflict in Ukraine, the impact of pandemics, the impact of wage pressures, financial costs and others are also analyzed. The key ones are described in detail in subsection 3.2.

Table 4: Risk management system

RISK AREA	EXAMPLE OF RISK	RISK MONITORING and RISK MITIGATING ACTIONS
COMPLIANCE and ETHICS	○ risk of mobbing and discrimination ○ risk of conflict of interest ○ corruption risk ○ money laundering and terrorist financing risks ○ abuse risk ○ risk of working with unreliable and dishonest contractors	○ implementation of policies against mobbing and discrimination ○ implementation of a process for managing conflicts of interest ○ implementation of the Anti-Corruption Policy ○ Implementation of procedures against money laundering and terrorist financing ○ implementation of a procedure for reporting violations ○ implementation of supplier verification procedure ○ implementation of education and awareness program in the area of compliance
LEGAL RISKS	○ risk of violation of consumer rights ○ risk of violation of competition laws	○ Policies and procedures for monitoring compliance with consumer rights and competition (antitrust) laws, as well as price regulations. ○ Training and raising legal awareness of

	○ risk of violating payment gridlock regulations ○ risk of violation of data protection regulations ○ risk of violation of regulated advertising and intellectual property laws ○ risk of violation of company secrets and confidential data ○ risk of violation of price marking regulations ○ risk of violation of the provisions of the Commercial Companies Code and concerning public companies ○ risk of violation of the Law on Upbringing in Sobriety and Counteracting Alcoholism ○ risk of changes in regulations concerning the circular economy	employees especially on antitrust law and price marking (Omnibus Directive) ○ Implementation of an effective compliance system to monitor key risk factors on an ongoing basis, monitor changes in the law, implement changes to internal regulations in accordance with changing legislation ○ Implementation of a system of periodic KRIs (key risk indicators) on selected risk areas to identify and monitor violations of implemented policies and processes ○ Implementation of a uniform system for developing and publishing marketing content ○ Continuous monitoring and verification of the possession of valid alcohol licenses, including with the recipients to whom such goods are sold for resale and the rules for promoting or advertising alcohol products ○ Active monitoring of changing external regulations by an established project group to assess and develop solutions to counteract the negative effects of changes

LABOUR RIGHTS	○ risk of violation of labor laws ○ turnover risk ○ risk of losing key employees ○ risk of accidents at work ○ risk of occupational diseases	○ Procedures and instructions regulating the workplace, including work regulations, employee remuneration and emplyee bonuses regulations ○ HR policies, benefits system, trainings, engagement survey ○ Talent identification and management process implemented; Implementation of dedicated solutions allowing for the retention of key employees ○ Implementation of internal health and safety procedures and instructions ○ Systematic inspections of compliance with health and safety procedures and instructions
TAXES	○ risks related to correct tax settlement ○ risk of non-effective implementation of procedures regarding tax reporting obligations ○ risks related to the use of market prices within the group	○ Further implementation of procedures and instructions to reduce the risk. Introduction of monitoring tools and employee training.
FOOD QUALITY	○ risk of placing on the market	○ Implemented HACCP food safety program

AND SAFETY	food that does not meet food safety and/or quality standards ○ risk of adulteration or contamination of the product	○ BRC GS S&D, ISO 22000 certifications and audits in their scope conducted by entities external to the EC Group ○ OWDP (General Product Delivery Terms) regulating cooperation with suppliers in the field of quality and food transport
ENVIRONMENT	○ risk of contamination or poisoning of the environment ○ risk of uncontrolled energy consumption in buildings and the transport fleet ○ risk of generating a significant amount of waste, including hazardous waste ○ risk of improper waste and secondary raw materials segregation **climate risks:** ○ risk of an increase in energy consumption in the wholesale distribution process as well as retail and wholesale sales due to the increase in temperatures	○ Energy efficiency audits ○ Regular inspections and servicing of devices and equipment ○ Continuous improvement of the efficiency of the logistics chain ○ Collaboration with food banks ○ Waste segregation and management of recyclabe materials ○ The use of low-carbon energy solutions (e.g. PPA agreements) along with the implementation of pro-efficiency investments in operational facilities

	○ risk of increased consumer pressure to provide information on both the origin of individual products and the related impact on the environment, climate or biodiversity ○ risk of the cost of capital increase and the risk of higher credit costs in the event of an insufficient assessment of Eurocash SA in the ESG category by financial entities ○ risk of material losses and/or disruption of logistics processes caused by sudden weather phenomena	○ Implementation of products with a lower or neutral environmental impact and the search for suppliers using sustainable practices and increasing the share of plant products in the offer ○ Implementation of a decarbonization strategy and setting reduction targets. Involvement of key Eurocash suppliers in the process of building a decarbonisation policy aimed at reducing emissions in Scope 3 ○ Improvement of climate risk management; development of e-commerce

3.3. Explanations regarding seasonality

In the FMCG wholesale distribution industry, sales in the first quarter of the year are traditionally lower than in other quarters. The highest sales are realized during the summer, then stabilize in the fourth quarter.

4. DISCUSSION OF THE FINANCIAL RESULTS OF THE EUROCASH GROUP AND EUROCASH S.A. FOR 2022.

4.1. Rules for the preparation of annual consolidated financial statements

The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards, which have been approved by the European Union.

The consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. As of the date of preparation of the financial statements, there were no circumstances indicating a threat to the Company's going concern.

The accounting policies used in the preparation of the financial statements are presented in Section 1.2 of the notes to the Consolidated Financial Statements of the Eurocash Group for the year ended December 31, 2022, and were applied to all periods presented in the financial statements.

4.2. Key financial and operating data of the Eurocash Group

Table 5: Eurocash Group: dynamics of external sales of goods by distribution formats in 2022.

PLN million	2022	2021	Change%
Wholesale	**22 290,6**	**19 252,3**	***15,8%***
Cash&Carry	5 099,9	4 423,8	*15,3%*
Tobacco products and impulse products	8 852,3	7 704,6	*14,9%*
Eurocash Distribution	8 053,4	6 933,6	*16,2%*
Eurocash Gastronomy	252,2	165,8	*52,1%*
Other	32,8	24,5	*33,9%*
Retail	**7 671,6**	**6 381,8**	***20,2%***
Delikatesy Centrum Franchise	2 722,3	2 436,5	*2,7%*
Own + partner supermarkets	3 686,3	3 358,5	*5,8%*
Inmedio	588,5	486,4	*8,7%*
Arhelan	674,5	100,4*	
Projects	**761,4**	**532,8**	***42,9%***
Eurocash Group	**30 723,7**	**26 166,9**	***17,4%***

consolidation of Arhelan stores from 11.2021.

Wholesale

- Sales of Wholesale segment goods in 2022 amounted to PLN 22,290.6 million and increased by 15.8% year-on-year.

- EBITDA of the Wholesale segment in 2022 amounted to PLN 821.4 million, compared to PLN 668.5 million in 2021. Sales growth in all distribution formats was responsible for the increase in EBITDA in 2022.
- LFL sales growth for a fixed number of Eurocash Cash&Carry discount wholesalers was 15% in 2022.
- The number of Eurocash Cash&Carry discount wholesalers at the end of 2022 was 179.
- The number of stores in the abc chain reached 7,351 at the end of 2022.
- The number of partner and franchise stores organized by Eurocash Group subsidiaries (Groszek, Euro Sklep, Lewiatan, PSD) amounted to 5,798 outlets at the end of 2022.

Retail

- Merchandise sales realized by the Retail segment reached PLN 7,671.6 million in 2022, an increase of 20.2% year-on-year.
- The segment's EBITDA amounted to PLN 375.9 million in 2022, compared to 204.7 million in 2021.
- Retail sales realized by "Delikatesy Centrum" stores in LFL terms in 2022 increased by 12.1%.
- Sales growth for the fixed number of Inmedio stores was 20.9% in 2022 y/y.
- The number of all stores at the end of 2022 was 1,522, including 1,483 stores operated under the Delikatesy Centrum brand.
- The total number of Inmedio newsstands at the end of 2022 was 422 stores.

Projects

- Merchandise sales realized by the Projects segment in 2022 amounted to PLN 761.4 million, compared to PLN 532.8 million in 2021. In addition to organic sales growth, the expansion of Duży Ben chain (PLN 296 million in sales) and the Frisco online supermarket (PLN 384 million in sales) had a significant impact.
- Duży Ben ended 2022 with 305 locations compared to 204 a year earlier.
- EBITDA of the Projects segment amounted to PLN -59.8 million in 2022, compared to -44.2 million in 2021. The results were negatively impacted by further expansion costs of the Frisco and Duży Ben chains.

Other

- The segment's EBITDA in 2022 was PLN -137.3 million, compared to PLN -120.9 million in 2021.

Table 6 Eurocash Group: segment results by quarter in 2022.

Q1 2022 (PLN million)	**Wholesale**	**Retail**	**Projects**	**Other**	**Total**
Revenue from sale of goods	4 667,0	1 660,7	168,4	0,0	6 496,1
EBIT	89,5	-17,6	-33,5	-36,8	1,7
(EBIT margin %)	*1,92%*	*-1,06%*	*-19,88%*	*0,00%*	*0,03%*
EBITDA	149,0	51,9	-18,0	-31,8	151,0
(EBITDA margin %)	*3,19%*	*3,12%*	*-10,67%*	*0,00%*	*2,32%*
Q2 2022 (PLN million)	**Wholesale**	**Retail**	**Projects**	**Other**	Total
Revenue from sale of goods	5 684,2	1 940,2	180,8	0,0	7 805,2
EBIT	148,8	19,1	-32,9	-30,5	104,5
(EBIT margin %)	*2,62%*	*0,99%*	*-18,18%*	*0,00%*	*1,34%*
EBITDA	208,6	89,3	-15,9	-25,6	256,3
(EBITDA margin %)	*3,67%*	*4,60%*	*-8,79%*	*0,00%*	*3,28%*
Q3 2022 (PLN million)	**Wholesale**	**Retail**	**Projects**	**Other**	Total
Revenue from sale of goods	6 016,3	2 028,0	186,2	0,0	8 230,5
EBIT	169,0	34,1	-28,2	-42,9	132,1
(EBIT margin %)	*2,81%*	*1,68%*	*-15,13%*	*0,00%*	*1,60%*
EBITDA	231,6	102,5	-11,8	-37,3	284,9
(EBITDA margin %)	*3,85%*	*5,05%*	*-6,33%*	*0,00%*	*3,46%*
Q4 2022 (PLN million)	**Wholesale**	**Retail**	**Projects**	**Other**	Total
Revenue from sale of goods	5 923,2	2 042,7	226,0	0,0	8 191,9
EBIT	170,5	66,5	-24,0	-47,5	165,5
(EBIT margin %)	*2,88%*	*3,26%*	*-10,63%*	*0,00%*	*2,02%*
EBITDA	232,4	132,3	-14,1	-42,5	308,1
(EBITDA margin %)	*3,92%*	*6,48%*	*-6,24%*	*0,00%*	*3,76%*

Table 7 Eurocash Group: segment results in 2022 YTD.

Q1 2022 (PLN million)	**Wholesale**	**Retail**	**Projects**	**Other**	**Total**
Revenue from sale of goods	4 667,0	1 660,7	168,4	0,0	6 496,1
EBIT	89,5	-17,6	-33,5	-36,8	1,7
(EBIT margin %)	*1,92%*	*-1,06%*	*-19,88%*	*0,00%*	*0,03%*
EBITDA	149,0	51,9	-18,0	-31,8	151,0
(EBITDA margin %)	*3,19%*	*3,12%*	*-10,67%*	*0,00%*	*2,32%*
Q2 2022 (PLN million)	**Wholesale**	**Retail**	**Projects**	**Other**	Total
Revenue from sale of goods	10 351,2	3 600,9	349,2	0,0	14 301,3
EBIT	238,3	1,5	-66,3	-67,3	106,1
(EBIT margin %)	*2,30%*	*0,04%*	*-19,00%*	*0,00%*	*0,74%*
EBITDA	357,5	141,1	-33,9	-57,4	407,3
(EBITDA margin %)	*3,45%*	*3,92%*	*-9,70%*	*0,00%*	*2,85%*
Q3 2022 (PLN million)	**Wholesale**	**Retail**	**Projects**	**Other**	Total
Revenue from sale of goods	16 367,5	5 628,9	535,4	0,0	22 531,8
EBIT	407,3	35,6	-94,5	-110,2	238,2
(EBIT margin %)	2,49%	0,63%	-17,65%	0,00%	1,06%
EBITDA	589,1	243,6	-45,6	-94,8	692,2
(EBITDA margin %)	3,60%	4,33%	-8,53%	0,00%	3,07%
Q4 2022 (PLN million)	**Wholesale**	**Retail**	**Projects**	**Other**	Total
Revenue from sale of goods	22 290,6	7 671,6	761,4	0,0	30 723,7
EBIT	577,9	102,1	-118,5	-157,7	403,7
(EBIT margin %)	*2,59%*	*1,33%*	*-15,57%*	*0,00%*	*1,31%*
EBITDA	821,4	375,9	-59,8	-137,3	1 000,3
(EBITDA margin %)	*3,69%*	*4,90%*	*-7,85%*	*0,00%*	*3,26%*

Table 8 Eurocash Group: segment results by quarter in 2021.

Q1 2021 (PLN million)	**Wholesale**	**Retail**	**Projects**	**Other**	**Total**
Revenue from sale of goods	4 184,4	1 477,2	118,7	0,0	5 780,3
EBIT	51,4	-31,5	-22,1	-31,4	-33,6
(EBIT margin %)	*1,23%*	*-2,14%*	*-18,62%*	*0,00%*	*-0,58%*
EBITDA	117,7	35,8	-11,0	-26,7	115,9
(EBITDA margin %)	*2,81%*	*2,43%*	*-9,23%*	*0,00%*	*2,01%*
Q2 2021 (PLN million)	**Wholesale**	**Retail**	**Projects**	**Other**	Total
Revenue from sale of goods	4 858,3	1 530,5	128,3	0,0	6 517,1
EBIT	109,1	-108,2	-23,6	-35,4	-58,1
(EBIT margin %)	*2,25%*	*-7,07%*	*-18,43%*	*0,00%*	*-0,89%*
EBITDA	170,5	-41,3	-11,5	-31,1	86,7
(EBITDA margin %)	*3,51%*	*-2,70%*	*-8,93%*	*0,00%*	*1,33%*
Q3 2021 (PLN million)	**Wholesale**	**Retail**	**Projects**	**Other**	Total
Revenue from sale of goods	5 262,1	1 611,9	122,6	0,0	6 996,5
EBIT	130,1	20,2	-25,6	-30,6	94,0
(EBIT margin %)	*2,47%*	*1,25%*	*-20,88%*	*0,00%*	*1,34%*
EBITDA	189,6	84,6	-11,8	-26,5	235,8
(EBITDA margin %)	*3,60%*	*5,25%*	*-9,65%*	*0,00%*	*3,37%*
Q4 2021 (PLN million)	**Wholesale**	**Retail**	**Projects**	**Other**	Total
Revenue from sale of goods	4 947,5	1 762,2	163,2	0,0	6 873,0
EBIT	130,8	46,7	-41,7	-40,6	95,2
(EBIT margin %)	*2,64%*	*2,65%*	*-25,53%*	*0,00%*	*1,38%*
EBITDA	190,7	125,5	-9,9	-36,5	269,7
(EBITDA margin %)	*3,85%*	*7,12%*	*-6,07%*	*0,00%*	*3,92%*

Table 9 Eurocash Group: segment results in 2021 YTD.

Q1 2021 (PLN million)	**Wholesale**	**Retail**	**Projects**	**Other**	**Total**
Revenue from sale of goods	4 184,4	1 477,2	118,7	0,0	5 780,3
EBIT	51,4	-31,5	-22,1	-31,4	-33,6
(EBIT margin %)	*1,23%*	*-2,14%*	*-18,62%*	*0,00%*	*-0,58%*
EBITDA	117,7	35,8	-11,0	-26,7	115,9
(EBITDA margin %)	*2,81%*	*2,43%*	*-9,23%*	*0,00%*	*2,01%*
Q2 2021 (PLN million)	**Wholesale**	**Retail**	**Projects**	**Other**	Total
Revenue from sale of goods	9 042,7	3 007,7	247,0	0,0	12 297,4
EBIT	160,5	-139,7	-45,7	-66,8	-91,7
(EBIT margin %)	*1,78%*	*-4,64%*	*-18,52%*	*0,00%*	*-0,75%*
EBITDA	288,2	-5,4	-22,4	-57,8	202,6
(EBITDA margin %)	*3,19%*	*-0,18%*	*-9,07%*	*0,00%*	*1,65%*
Q3 2021 (PLN million)	**Wholesale**	**Retail**	**Projects**	**Other**	Total
Revenue from sale of goods	14 304,7	4 619,6	369,6	0,0	19 293,9
EBIT	290,6	-119,5	-71,3	-97,4	2,3
(EBIT margin %)	*2,03%*	*-2,59%*	*-19,30%*	*0,00%*	*0,01%*
EBITDA	477,8	79,2	-34,2	-84,3	438,4
(EBITDA margin %)	*3,34%*	*1,71%*	*-9,27%*	*0,00%*	*2,27%*
Q4 2021 (PLN million)	**Wholesale**	**Retail**	**Projects**	**Other**	Total
Revenue from sale of goods	19 252,3	6 381,8	532,8	0,0	26 166,9
EBIT	421,3	-72,8	-113,0	-138,0	97,5
(EBIT margin %)	*2,19%*	*-1,14%*	*-21,21%*	*0,00%*	*0,37%*
EBITDA	668,5	204,7	-44,2	-120,9	708,2
(EBITDA margin %)	*3,47%*	*3,21%*	*-8,29%*	*0,00%*	*2,71%*

4.3. Profit and loss account - profitability analysis

Table 10: Eurocash Group: summary of financial results for 2022.

PLN million	2022	2021	Change %
Revenue from sales of products, goods and materials	30 857,7	26 281,4	17,4%
Gross profit on sales Gross profitability on sales	4 232,8 13,72%	3 409,4 12,97%	24,2% 0.74 p.p.
EBITDA (EBIT + depreciation and amortization) (EBITDA margin %)	1 000,3 3,24%	708,2 2,69%	41,3% 0.55 p.p.
Operating profit - EBIT (Operating profit margin - EBIT %)	403,7 1,31%	97,5 0,37%	314,0 % 0.94 p.p.
Gross profit	182,6	(0,94)	-19530,3%
Net profit (Net profit margin %)	89,2 0,29%	(99,3) -0,38%	-189,8% 0.67 p.p.

Eurocash Group's sales revenue in 2022 amounted to. PLN 30,857.7 million, 17.4% more than in the previous year. The increase was attributable to improved sales in all business segments. Eurocash Group's gross margin in 2022 increased by 0.74 p.p. y/y and amounted to 13.72%. EBITDA amounted to round PLN 1 billion in 2022 and increased by 41.3% y/y. Eurocash Group's net profit reached PLN 89.2 million. This is the result of increases in sales and efficiency in all segments of the Group. It should also be remembered that the 2021 result was burdened by one-time events, most notably an impairment charge for the closure of 50 own stores - excluding such events, normalized EBITDA for 2021 would have amounted to PLN 782.2 million.

4.4. Balance sheet data

Balance sheet structure

The volumes of fixed and current assets, equity, liabilities and provisions for liabilities, as well as their share of total assets, are presented in the tables below:

Table 11: Eurocash Group: Structure of assets

PLN million	**31.12.2022**	**%**	**31.12.2021**	**%**
Non-current assets (long-term)	**5 185,9**	**59,8%**	**5 267,5**	**62,1%**
Goodwill	2 138,3	41,2%	2 130,0	40,4%
Intangible assets	322,1	6,2%	342,8	6,5%
Property, plant and equipment	673,3	13,0%	696,4	13,2%
Right-of-use assets	1 904,7	36,7%	1 942,0	36,9%
Investment properties	0,2	0,0%	0,9	0,0%
Investments in affiliates - equity method	13,6	0,3%	13,4	0,3%
Other long-term financial assets	1,7	0,0%	4,6	0,1%
Long-term receivables	15,0	0,3%	14,6	0,3%
Deferred income tax assets	107,3	2,1%	118,4	2,2%
Other long-term prepayments and accruals	9,8	0,2%	4,4	0,1%
Current assets (short-term)	**3 484,0**	**40,2%**	**3 219,8**	**37,9%**
Stocks	1 636,1	47,0%	1 535,6	47,7%
Trade receivables	1 446,4	41,5%	1 332,2	41,4%
Current income tax receivables	32,6	0,9%	4,7	0,1%
Other short-term receivables	143,2	4,1%	171,3	5,3%
Other short-term financial assets	6,4	0,2%	14,8	0,5%
Short-term prepayments and accruals	41,5	1,2%	40,5	1,3%
Cash and cash equivalents	177,8	5,1%	120,6	3,7%
Non-current assets classified as held for sale	-	0,0%	-	0,0%
Total assets	**8 669,8**	**100,0%**	**8 487,3**	**100,0%**

Table 12: Eurocash Group: Structure of liabilities

PLN million	**31.12.2022**	%	**31.12.2021**	%
Equity	**798,9**	9,2%	**786,6**	9,3%
Equity attributable to shareholders of the parent company	**710,2**	88,9%	**699,1**	88,9%
Share capital	139,2	17,4%	139,2	17,7%
Own shares	-	0,0%	-	0,0%
Reserve capital	584,9	73,2%	581,0	73,9%
Reserve capital	-	0,0%	-	0,0%
Loss on valuation of hedging transactions	(3,1)	-0,4%	10,6	1,3%
Share purchase/sale option	(147,1)	-18,4%	(115,8)	-14,7%
Undistributed financial result	136,3	17,1%	84,1	10,7%
Retained earnings	69,2	8,7%	197,7	25,1%
Net profit of the current year	67,1	8,4%	(113,6)	-14,4%
Non-controlling interests	88,7	11,1%	87,5	11,1%
Long-term liabilities	**2 057,7**	**26,1%**	**2 493,5**	**32,4%**
Long-term loans and advances	168,7	8,2%	581,3	23,3%
Long-term financial liabilities	131,1	6,4%	125,0	5,0%
Long-term lease liabilities	1 657,9	80,6%	1 701,0	68,2%
Other long-term liabilities	89,3	4,3%	73,7	3,0%
Deferred income tax provision	(0,0)	0,0%	-	0,0%
Provisions for employee benefit obligations	9,2	0,4%	9,8	0,4%
Other long-term provisions	1,6	0,1%	2,6	0,1%
Current liabilities	**5 813,2**	**73,9%**	**5 207,2**	**67,6%**
Short-term loans and advances	503,7	8,7%	223,5	4,3%
Short-term financial liabilities	15,0	0,3%	16,8	0,3%
Short-term lease liabilities	427,4	7,4%	400,8	7,7%
Trade payables	4 114,4	70,8%	3 854,1	74,0%
Current income tax liabilities	30,9	0,5%	18,0	0,3%
Other current liabilities	226,9	3,9%	202,7	3,9%
Employee benefit obligations	188,4	3,2%	180,6	3,5%
Provisions and short-term accruals	306,6	5,3%	310,7	6,0%
Liabilities and provisions	**7 870,9**	**90,8%**	**7 700,7**	**90,7%**
Total liabilities	**8 669,8**	**100,0%**	**8 487,3**	**100,0%**

Loan agreements, guarantees and collateral

Credit agreements

Information on loan agreements entered into by Eurocash Group companies is presented in Note 20 to the 2022 consolidated financial statements.

Loans granted

In 2022, Eurocash Group companies did not grant a loan with a significant total value.

Sureties and guarantees

Sureties and guarantees provided by Eurocash Group companies are presented in Note 33 to the 2022 consolidated financial statements.

Issuance of securities and bonds in 2022.

Issuance of securities

Between January 1, 2022 and December 31, 2022, no shares or bonds were issued.

4.5. Significant off-balance sheet items

Information on off-balance sheet items by subject, object and value of the Eurocash Group is included in the notes to the annual consolidated financial statements in Notes 33 and 34.

4.6. Eurocash Group cash flow analysis for 2022.

Cash flow statement

Table 13: Eurocash Group: cash flows in 2022.

PLN million	2022	2021
Cash flows from operating activities	888,5	638,2
profit before tax	182,6	*(0,9)*
Depreciation	596,6	*610,6*
change in working capital	90,7	*(106,4)*
Other	18,7	*134,9*
Cash flows from investment activities	(190,1)	(226,7)
Cash flows from financing activities	(641,21)	(408,43)
Total cash flows	57,2	3,10

Total cash flow in 2022 amounted to PLN 57.2 million, and cash flow from operating activities reached 888.5 million. In 2022, cash flow from investing activities was -190.1 million, and cash flow from financing activities was -641.21 million.

Eurocash Group's net financial debt at the end of December 2022 was 2,720 million vs. 2928 million in 2021. Before IFRS16, Eurocash Group's net financial debt amounted to PLN 670 million versus PLN 858 million at the end of December 2021. The net debt/EBITDA ratio counted as of December 31, 2022, in accordance with bank covenants, was 1.17 and met the requirements.

Eurocash Group is increasing its ability to generate cash from operating cash flow. This makes it possible to implement the Strategy adopted in August 2022 and gradually reduce net debt.

Working capital turnover

Table 14: Eurocash Group: working capital turnover ratios in 2022.

Rotation of working capital components in days	**2022**	**2021**
1. inventory turnover cycle	19,4	21,3
2. receivables turnover cycle	17,1	18,5
3. liability rotation cycle	(56,4)	(61,5)
4. operational cycle (1+2)	36,5	39,8
5. cash conversion (4-3)	(19,9)	(21,7)

The cash conversion cycle in 2022 reached -19.9 days, compared to -21.7 days a year earlier. The changes in the rotation of each component of working capital were related to the introduction of controls to bring the rotation of liabilities in line with the requirements of the Act of November 17, 2021 on Counteracting the Unfair Exploitation of Contractual Advantage in the Marketing of Agricultural and Food Products, which shortened the payment for the purchase of perishable products to 30 days. In addition, in 2022. The Group operated in an environment of rising interest rates, reducing the effectiveness of the use of reverse factoring, which has an impact on shortening the turnover of liabilities. The use of reverse factoring decreased from PLN 1.78 billion in 2021 to PLN 1.16 billion at the end of 2022.

The method of calculating the working capital turnover ratios is presented in the appendix attached to the report of the Management Board: *Definitions of financial ratios presented in the management board report.*

Evaluation of cash management

The Eurocash Group generates positive cash flow from operating activities. All significant investments made in 2022 were financed with own funds and borrowings.

The basis for effective liquidity management in the Eurocash Group is an internal cash flow forecasting model. Eurocash S.A. has open credit lines to secure the Eurocash Group's liquidity needs. The Group optimizes the liquidity positions of its subsidiaries and the interest result through the mechanisms used for balance concentration (cash pooling) and the system of intra-group loans.

In the opinion of the Management Board of Eurocash, there are no significant financial risks related to the ability of Eurocash Group companies to repay their obligations. The main financial risk factors related to Eurocash Group's operations are as follows:

- Credit risk
- Liquidity risk
- Market risk

An analysis of the aforementioned risks is presented in Note 35 of the consolidated financial statements for 2022, which is part of the Eurocash Group's annual report.

4.7. Investment activities

In 2022, the share of investments in the wholesale segment was 45%, and in the retail segment 40%. Wholesale allocated outlays to cooperation with franchisees (store equipment, remodeling), logistics and warehouses, as well as IT investments, including the Eurocash.pl platform. Retail represents maintenance expenditures on own stores and cooperation with franchisees, including the expansion of the Delikatesy Centrum chain. Within the Projects segment, the main part of investments were directed at the development of the Duży Ben chain, as well as the expansion of the EuroPlatform infrastructure (offered through Innowacyjna Platforma Handlu sp. z o.o.).

Table 15: Eurocash Group: main investment areas of the Eurocash Group in 2022.

PLN million	2022	2021
Equity investments (including acquisition of shares)	1,4	68,7
Wholesale	99,4	105,1
Detail	87,7	58,3
Projects	30,1	40,6
Other	0,3	0,2
Total investment expenditure	**218,8**	**272,9**

Assessment of the feasibility of investment intentions

The main investments planned for 2023 are related to:

- The development directions set forth in Strategy 2023-2025 (Wholesale, Franchise, Technology Platform, see Section 3.1), in particular in the areas of
    - franchise network development,
    - investment in modern IT systems (sales systems for franchisees, Eurocash.pl platform and EuroPlatform POS network)
    - Progressive integration and optimization of logistics (IT solutions, automation, delivery network efficiency),,
    - Further development of the companies: Frisco and Duży Ben.
- Restoration investments.

To finance planned investments, Eurocash intends to use cash generated , as well as external financing. The level of expenditures assumes slight increases from 2022.

4.8. Significant events and factors affecting Eurocash Group's financial results in 2022

By Resolution No. 5 of June 30, 2022, the Ordinary General Meeting of EUROCASH S.A. resolved not to pay dividends from the Company's profit for 2021. The Ordinary General Meeting of Eurocash S.A. resolved that the net profit for 2021 in the amount of 137,013,492 was transferred to the Company's reserve capital.

4.9. Profit and loss account - profitability analysis of Eurocash S.A.

Eurocash S.A. is a company engaged in the wholesale distribution of food and other fast moving products. It is the parent company for the Eurocash Group companies, the structure of which is presented in Section. 2.2.

Table 16: Eurocash S.A.: Summary of financial results for 2022.

PLN million	**2022**	**2021**	**Change %**
Revenue from sales of products, goods and materials	18 660.4	16 116.5	15.8%
Gross profit on sales Gross profitability on sales	2 093.6 11.22%	1 770.3 10.98%	18.3% 0.24 p.p.
EBITDA (EBIT + depreciation and amortization) *(EBITDA margin %)*	576.9 3.09%	523.2 3.25%	10.3% -0.15 p.p.
Operating profit - EBIT *(Operating profit margin - EBIT %)*	287.1 1.54%	226.1 1.40%	27.0% 0.14 p.p.
Gross profit	210.0	174.4	20.4%
Net profit *(Net profit margin %)*	171.2 0.92%	137.0 0.85%	25.0% 0.07 p.p.

Eurocash S.A.'s sales in 2022 reached PLN 18,660 million, gross profitability on sales realized by Eurocash S.A. in 2022 increased by 0.24 p.p. y/y to 11.22%. In 2022. EBITDA amounted to PLN 576,9 million. and increased by 10,3% compared to the previous year. The increase in EBITDA was mainly related to improvements in the wholesale segment's operations.

Net profit in 2022 amounted to PLN 171,2 million. and increased y/y by 25%.
Eurocash's current and projected financial situation shows no significant risks.

4.10. Balance sheet data

Balance sheet structure

The volumes of fixed and current assets, equity, liabilities and provisions for liabilities, as well as their share of total assets, are presented in the tables below:

Table 17: Eurocash S.A.: Asset structure

PLN million	**31.12.2022**	**%**	**31.12.2021**	**%**
Non-current assets (long-term)	**4 477,4**	**65,3%**	**4 577,6**	**68,6%**
Goodwill	1 204,1	26,9%	1 204,1	26,3%
Intangible assets	452,6	10,1%	589,1	12,9%
Property, plant and equipment	350,4	7,8%	393,6	8,6%
Right-of-use assets	770,0	17,2%	830,3	18,1%
Investment properties	0,9	0,0%	0,9	0,0%
Investments in subsidiaries	1 684,5	37,6%	1 546,5	33,8%
Investments in associated companies	4,6	0,1%	4,6	0,1%
Other long-term financial assets	0,1	0,0%	4,2	0,1%
Long-term receivables	1,6	0,0%	1,4	0,0%
Long-term accruals	8,6	0,2%	2,9	0,1%
Current assets (short-term)	**2 378,2**	**34,7%**	**2 093,0**	**31,4%**
Stocks	998,7	42,0%	955,9	45,7%
Trade receivables	1 214,2	51,1%	995,8	47,6%
Current income tax receivables	29,9	1,3%	-	0,0%
Other short-term receivables	56,2	2,4%	83,2	4,0%
Short-term financial assets in subsidiaries	-	0,0%	-	0,0%
Other short-term financial assets	6,4	0,3%	15,4	
Cash and cash equivalents	45,8	1,9%	19,3	0,9%
Short-term prepayments and accruals	27,1	1,1%	23,4	1,1%
Non-current assets classified as held for sale	**-**	**0,0%**	**-**	**0,0%**
Total assets	**6 855,6**	**100,0%**	**6 670,6**	**100,0%**

Table 18: Eurocash S.A.: Structure of liabilities

PLN million	31.12.2022	%	31.12.2021	%
Equity	**1 462,9**	21,3%	**1 301,7**	**19,5%**
Share capital	139,2	9,5%	139,2	10,7%
Own shares	-	0,0%	-	0,0%
Supplementary capital	1 081,7	73,9%	940,9	72,3%
Reserve capital	-	0,0%	-	0,0%
Merger capital	-	0,0%		
Loss on valuation of hedging transactions	(4,4)	-0,3%	9,6	0,7%
Share purchase/sale option	-	0,0%	-	0,0%
Undistributed financial result	246,4	16,8%	212,2	16,3%
Long-term liabilities	**998,7**	**18,5%**	**1 458,4**	**27,2%**
Long-term loans and advances	160,4	16,1%	571,0	39,2%
Long-term financial liabilities	131,1	13,1%	125,0	8,6%
Long-term lease liabilities	653,6	65,4%	721,8	49,5%
Other long-term liabilities	15,5	11,8%	15,5	1,1%
Deferred income tax provision	34,4	3,4%	20,8	1,4%
Provisions for employee benefit obligations	3,7	0,4%	4,2	0,3%
Other long-term provisions	-	0,0%	-	0,0%
Current liabilities	**4 394,0**	**81,5%**	**3 910,4**	**72,8%**
Short-term loans and advances	587,0	13,4%	456,1	11,7%
Other short-term financial liabilities	15,0	0,3%	16,8	0,4%
Short-term lease liabilities	186,4	4,2%	174,2	4,5%
Trade payables	3 168,9	72,1%	2 800,9	71,6%
Current income tax liabilities	-	0,0%	6,4	0,2%
Other current liabilities	174,9	4,0%	184,5	4,7%
Provisions for employee benefit obligations	99,2	2,3%	92,1	2,4%
Other provisions and short-term accruals	162,5	3,7%	179,4	4,6%
Liabilities and provisions	**5 392,7**	**78,7%**	**5 368,8**	**80,5%**
Total liabilities	**6 855,6**	**100,0%**	**6 670,6**	**100,0%**

As of the end of 2022, total assets stood at PLN 6,855.6 million, compared to PLN 6,670.6 million a year earlier. As of December 31, 2022, the Company's assets consisted of 65.3% fixed assets (PLN 4,477.4 million) and 34.7% current assets (PLN 2,378.2 million). A year earlier, it was 68.6% and 31.4%, respectively.

As of December 31, 2022, shareholders' equity amounted to PLN 1,462.9 million, accounting for 21.3% of the liability structure. A year earlier, equity accounted for PLN 1,301 million, or 19.5% of the liability structure.

Loan agreements, guarantees and securities granted

Credit agreements

Information on loan agreements entered into by Eurocash S.A. is presented in Note 21 to the individual financial statements for 2022.

Loans granted

In 2022. Eurocash has not granted a loan with a significant total value.

Sureties and guarantees

Sureties and guarantees provided by Eurocash S.A. are presented in Note 35 to the separate financial statements for 2022.

Issuance of securities and bonds in 2022.

Issuance of securities

No shares were issued between January 1, 2022 and December 31, 2022.

Issuance of bonds and other securities

On December 23, 2020, 125,000 unsecured series B bearer bonds of the Issuer with a nominal value of PLN 1,000 each and a total nominal value of PLN 125,000,000 were issued.

The bond issue was conducted to refinance short-term loans and to finance Eurocash S.A.'s working capital.

4.11. Significant off-balance sheet items

Information on off-balance sheet items by subject, object and value of Eurocash S.A. is included in the notes to the annual separate financial statements in Note 33 and Note 34.

4.12. Eurocash S.A. cash flow analysis for 2022.

Cash flow statement

Table 19: Eurocash S.A.: Cash flow for 2022.

PLN million	**2022**	**2021**
Cash flows from operating activities	560,1	515,6
profit before tax	*210,0*	*174,4*
depreciation	*289,9*	*297,2*
change in working capital	*104,5*	*0,1*
other	*(44,2)*	*44,0*
Cash flows from investment activities	(16,1)	(46,3)
Cash flows from financing activities	(517,5)	(470,6)
Total cash flows	26,5	(1,3)

Total cash flows in 2022 amounted to PLN 26.5 million, while cash flows from operating activities amounted to PLN 560 million. Cash flow from investing activities was PLN -16.1 million and cash flow from financing activities was PLN -517.5 million.

Eurocash has maintained a stable ability to generate cash from operating cash flow due to the increase in the scale of operations. This allows us to continue the investment strategy we have adopted (including M&A) and keep net debt stable.

Working capital turnover

Table 20: Eurocash S.A.: Working capital turnover ratios in 2022.

Rotation of working capital components in days	**2022**	**2021**
1.Inventory turnover cycle	19,5	21,6
2.Accounts receivable turnover cycle	23,7	22,6
3.Rotation cycle of liabilities	(69,8)	(71,3)
4.Operational cycle	43,3	44,2
5.Cash conversion	(26,5)	(27,1)

The cash conversion cycle in 2022 reached -26.5 days, compared to -27.1 days a year earlier. The changes in the rotation of each component of working capital were related to the introduction of controls to bring the rotation of liabilities in line with the requirements of the Act of November 17, 2021 on Counteracting the Unfair Exploitation of Contractual Advantage in the Marketing of Agricultural and Food Products, which shortened the payment for the purchase of perishable products to 30 days. In addition, in 2022. The Group operated in an environment of rising interest rates, reducing the efficiency of using reverse factoring, which shortened the rotation of payables.

5. ADDITIONAL INFORMATION

5.1. Information on pending proceedings

On October 2, 2020, the Company received a Decision of the President of the OCCP dated September 28, 2020, to initiate ex officio proceedings against Eurocash S.A. for practices that unfairly exploit contractual advantage. In initiating the proceedings, the Chairman of the OCCP found that it was necessary to verify whether certain practices applied by Eurocash S.A. could be classified as exploitation of contractual advantage. In the decision to initiate proceedings, the Chairman of the OCCP pointed to two forms of Eurocash's settlements with suppliers that raised doubts in his mind - i.e. charging for (i) general network/sales support services, and (ii) market expansion services. As part of the pending proceedings, in response to the OCCP's summons, the Company conveyed that since 2017 it has not charged any remuneration for market expansion services at all, while in the period 01.01.2019. - 31.10.2020 it charged suppliers a total of about PLN 19 million for providing network-wide/sales support services. On November 30, 2021. The President of the Office of Competition and Consumer Protection issued a decision, in which he found that the Company had committed the practice of unfair exploitation of contractual advantage by charging suppliers of agri-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 of PLN 76,019,901.23 on the Company. The Company disagrees with the position of the President of the OCCP, and has therefore appealed the decision of the President of the OCCP to the Court of Competition and Consumer Protection on December 30, 2021. At the same time, we point out that the obligation to pay a possible fine imposed by the President of the OCCP arises only after the decision becomes final - i.e. after the verdict of the Court of Second Instance (Court of Appeals). Under current conditions, the duration of the proceedings from the moment the decision is issued to the moment the Court of Appeals issues a final judgment is about 4-5 years. The Company cooperates with the Office on an ongoing basis by providing timely responses to a number of other inquiries addressed by the President of the OCCP to the Company as part of its investigations and FMCG market research.

Information on pending tax proceedings is provided in the section of the report containing the annual consolidated financial statements in Note 23.

Material contracts

Contracts with suppliers, exceeding 10% of total sales revenue

In 2022, the only supplier with a share of more than 10% of Eurocash Group's total sales revenue was Philip Morris Polska Distribution Sp. z o.o., whose share was nearly 13.9%.

Review of strategic options

The company, in current reports dated April 2, 2021 (current report no. 07/2021) and February 1, 2022 (current report no. 03/2022), reported that it was conducting a process of reviewing the Eurocash Group's strategic options.

The process of reviewing potential strategic options for the development of the Eurocash Group began with a decision by the Management Board on January 28, 2021, as a consequence of which the Management Board entered into an agreement with a strategic advisor, and subsequently engaged/agreed with financial and commercial advisors to assist the Company in identifying and potentially selecting optimal strategic options. At the end of September 2021. (current report No. 03/2022), the Management Board decided to commence negotiations with selected potential investors who had made initial non-binding offers to enter the Company's capital or to acquire a selected segment of its business in connection with the Eurocash Group's development options under consideration; in order to continue discussions, the Company decided to provide the bidders and their professional advisors with the opportunity to examine the financial and legal status of the Eurocash Group or its selected segments.

According to Current Report No. 18/2022, the strategic options review process is underway. It is aimed at selecting the best way to achieve the Company's long-term goal of growing the Group and maximizing its value for the Company's current and future shareholders.

According to the Company's announcements, during the review the Company is analyzing scenarios related to, among other things, the potential acquisition of new investors for the Company or for its selected business segments or its subsidiaries; as well as the potential reorganization of the Eurocash Group to further integrate the Group structure. The above list of options is not exhaustive and does not preclude the consideration of other options not listed above during the review, including the disposal of assets.

5.2. Information regarding the conclusion by the issuer or its subsidiary of transactions with related parties

In 2022, Eurocash Group companies did not enter into any loan or credit guarantee transactions or provide guarantees of significant value.

5.3. Information on transactions with related parties

In 2022, Eurocash Group companies did not enter into other transactions with related parties other than at arm's length in the normal course of business.

5.4. Publication of forecasts

Eurocash Group management has not published financial forecasts for 2022 or 2023.

On March 9, 2022, the Company made public a current report with preliminary estimated results of the Group for the fourth quarter of 2021. According to the Company, these results were significantly

different from market expectations at the time. Full audited financial figures for Q4 2021 and the full year were published in the annual report on April 14, 2022.

5.5. Changes in basic management principles

Appointment of Board Member

On December 16, 2021, the Company's Management Board announced in current report No. 16/2021 that the Supervisory Board of Eurocash had passed a resolution to appoint Mr. Pawel Surówka as President of the Management Board, effective January 1, 2022. Effective January 01, 2022, in accordance with the Supervisory Board's resolution, the position of Mr. Luis Amaral was changed from Chairman of the Management Board to Member of the Management Board. On January 31, 2022. The Supervisory Board of Eurocash passed a resolution to appoint Mr. Dariusz Stolarczyk and Mr. Tomasz Polański as members of the Company's Management Board, effective February 1, 2022. January 31, 2022. Mr. Noel Collett and Mr. Rui Amaral resigned as Members of the Management Board of Eurocash on June 30, 2022. Mr. Luis Amaral resigned from his position as Member of the Management Board of Eurocash. The resignation was in connection with Mr. Luis Amaral's intention to join the Company's Supervisory Board, which the Company announced in current reports dated December 16, 2021, RB 16/2021 and dated January 31, 2022, RB 2/2022 and of June 30, 2022, RB No. 15/2022 and 16/2022.

Appointment of Supervisory Board Member

As the term of the Company's Supervisory Board members expired on June 30, 2022, Mr. Francisco José Valente Hipólito dos Santos, Mr. Jorge Mora, Mr. Hans Joachim Körber and Mr. Przemysław Budkowski were appointed for a new term. Mr. Luis Amaral was also appointed to the Supervisory Board on June 30, 2022, and was elected Chairman of the Supervisory Board.

Since June 30, 2022 and from the beginning of 2023 to date, there have been no other significant changes in the management structure of the Eurocash Group.

5.6. Agreements with Board Members guaranteeing financial offsets

Group companies have not entered into any agreements with members of the Boards of Directors providing compensation in the event of their resignation or dismissal from their positions without a significant reason.

Agreements with members of the Eurocash Management Board stipulate that in the event of a change in the majority shareholder in the Parent Company, i.e., a change in the shareholder with control over Eurocash (Politra B.V. s.a.r.l), the termination period of the Management Board member's contract will be twelve months.

5.7. Entity authorized to audit financial statements

The consolidated financial statements of Eurocash S.A. for 2022 were audited by Grant Thornton Polska sp. z o.o. sp. k. (currently under the name: Grant Thornton Polska Prosta Spółka Akcyjna (KRS: 0001002477) under a contract concluded on July 22, 2022 for a period of 2 years.

The total fees specified in the agreement between Eurocash S.A. and the audit firm due or paid for the audit and review of the consolidated financial statements, as well as for other services, are presented below:

Table 21: Fees for audits and reviews of financial statements

PLN thousand	**2022**
Audit of financial statements	2 270
Review of financial statements	130
Total	**2 400**

In 2022, the Eurocash Group has not used any other services from Grant Thornton Polska sp. z o.o. sp. k.

6. CORPORATE GOVERNANCE

6.1. Statement on the application of corporate governance by Eurocash S.A.

Pursuant to § 29(2) of the Rules of the Warsaw Stock Exchange in the wording adopted by Resolution No. 1/1110/2006 of the Exchange Supervisory Board dated January 4, 2006, as amended, Eurocash S.A. is obliged to apply the corporate governance principles contained in the document - "Good Practices of Companies Listed on the WSE 2021", attached to Resolution No. 13/1834/2021 of the Exchange Supervisory Board dated March 29, 2021. (hereinafter "Good Practices"), available at: https://www.gpw.pl/dobre-praktyki.

During the fiscal year ending December 31, 2022, the Company complied with the principles of corporate governance included in the document "Good Practices of Companies Listed on the WSE 2021," according to a statement posted on the website:

During the fiscal year ending December 31, 2022. The Company did not comply with the following corporate governance principles:

- 1.4.2. present the value of the index of equal pay paid to its employees, calculated as the percentage difference between the average monthly salary (including bonuses, prizes and other allowances) of women and men for the last year, and provide information on the measures taken to eliminate any inequality in this regard, along with a presentation of the risks associated with this and the time horizon in which it is planned to bring about equality.
  Comment:
  The Eurocash Group's Ethics Principles and Labor Regulations include provisions against discrimination based on gender, age, disability, religion or belief, sexual orientation, race, ethnicity, nationality, political beliefs, union membership or type of employment, among others.

- 2.1. The company should have a diversity policy for the management board and the supervisory board, adopted by the supervisory board or the general meeting, respectively. The diversity policy shall specify the objectives and criteria for diversity in such areas as gender, field of education, specialized knowledge, age, and work experience, among others, and shall indicate when and how the achievement of these objectives will be monitored. In terms of gender diversity, the condition for ensuring the diversity of the company's bodies is that minority participation in a given body be no less than 30%.
  Comment:
  The Group's diversity management applies to all employees, its authorities and key managers. The understanding of diversity manifests itself in the fact that people are important regardless of gender, age, health status, sexual orientation, religion, marital status or country of origin.

Diversity activities touch on many aspects of the group's operations and are aimed at respecting others, treating them equally and realizing the potential of employees. The Ethics Principles and the Work Regulations include provisions against discrimination based on gender, age, disability, religion or belief, sexual orientation, race, ethnicity, nationality, political beliefs, union membership or type of employment, among others. Diversity management also applies to members of the Supervisory and Management Boards and key managers. Management and supervisory personnel are made up of people of different genders, ages and experience.

- 2.2. Those deciding on the election of members of the company's management board or supervisory board should ensure the comprehensiveness of these bodies by electing to their composition persons ensuring diversity, allowing, among other things, the achievement of the target ratio of minimum minority participation set at not less than 30%, in accordance with the objectives set out in the adopted diversity policy referred to in principle 2.1

  Comment:

  The Group's diversity management applies to all employees, its authorities and key managers. The understanding of diversity manifests itself in the fact that people are important regardless of gender, age, health status, sexual orientation, religion, marital status or country of origin. Diversity activities touch on many aspects of the group's operations and are aimed at respecting others, treating them equally and realizing the potential of employees. The Ethics Principles and the Work Regulations include provisions against discrimination based on gender, age, disability, religion or belief, sexual orientation, race, ethnicity, nationality, political beliefs, union membership or type of employment, among others. Diversity management also applies to members of the Supervisory and Management Boards and key managers. Management and supervisory personnel are made up of people of different genders, ages and experience.
- 3.6. The head of internal audit reports organizationally to the chairman of the Management Board, and functionally to the chairman of the audit committee, or to the chairman of the supervisory board if the board serves as an audit committee.

  Comment:

  Head of the internal audit unit:

  1) Has direct contact with members of the management and supervisory boards;

  2) participates in board meetings;

  3) participates in meetings of the supervisory board and audit committee, when the subject of the meeting is issues related to the system of risk management, internal audit, internal control, ensuring compliance with the law.
- 5.5.When a company's transaction with a related party requires the approval of the Management Board, the board shall assess whether it is necessary to first consult with an external entity to perform a valuation of the transaction and an analysis of its economic impact before adopting a resolution on approval.

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 party requires the approval of the general meeting, the supervisory board shall prepare an opinion on the appropriateness of concluding such a transaction. In such a case, the board shall assess the necessity of prior consultation with an external entity, as referred to in the rule.

  Comment:

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

- 5.7. If the decision on the company's entering into a material transaction with a related party is made by the general meeting, before such decision is made, the company shall provide all shareholders with access to the information necessary to assess the impact of the transaction on the company's interest, including the opinion of the supervisory board referred to in Rule 5.6.

  Comment:

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

6.2. Shareholder information

Shareholders holding directly or indirectly significant stakes in Eurocash and changes in shareholding structure

As of December 31, 2022, the Company's shareholder structure was as shown in the table below.

Table 22: Company's shareholder structure as of December 31, 2022 and December 31, 2021.

	31.12.2022				31.12.2021			
Shareholder	Number of shares	Share in share capital (%)	Number of votes	Share in the total number of votes	Number of shares	Share in share capital (%)	Number of votes	Share in the 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%**

*by Politra B.V.S.à.r.l. and Westerngate Private Investments Ltd.

Luis Amaral holds a total of 44.04% of Eurocash S.A. shares. directly and indirectly through:
- Politra B.V. S.A.R.L. based in Luxembourg, whose sole shareholder holding 100% of shares is Amaral e Filhas Limited based in London, United Kingdom (formerly Portuguese Private Investments Limited), whose sole shareholder is Luis Amaral,
- Western Gate Private Investments Ltd. with its registered office in Great Britain, whose sole shareholder is Amaral e Filhas Limited with its registered office in London, Great Britain (formerly known as Portuguese Private Investments Limited), whose sole shareholder is Luis Amaral.

Luis Amaral, through Politra B.V. s.a.r.l. (as the legal successor of Politra B.V.), a company controlled by him, pursuant to § 13 sec. 2 of the Statute of Eurocash S.A., has the right to appoint 3 out of 5 members of the Supervisory Board of Eurocash S.A., i.e. appoints the majority of its composition. In turn, the Supervisory Board of Eurocash S.A. appoints and dismisses (all) Members of the Management Board of Eurocash S.A. (§ 15 section 1 point (iv) of the Eurocash Statute) - thus Luis Amaral (through the company Politra B.V. s.a r.l. he controls), has influence over the appointment of members of the Management Board of Eurocash S.A., and thus exercises control over Eurocash S.A. The above right to appoint 3 out of 5 members of the Supervisory Board of Eurocash S.A. is vested in Politra as long as it holds at least 30% of shares in the share capital of Eurocash S.A.

After the balance sheet date, the Company received the following notifications:

1. 05.01.2023 - on exceeding the threshold of 5% of the total number of votes at the General Meeting of the company by Powszechne Towarzystwo Emerytalne Allianz Polska S.A. managing funds Allianz OFE, Allianz DFE and Drugi Allianz OFE.

2. 03.02.2023 - on exceeding the threshold of 5% of the total number of votes at the General Meeting of the company by Powszechne Towarzystwo Emerytalne Allianz Polska S.A. managing funds Generali OFE, Generali DFE, NNLife OFE and NNLife DFE.

The company informed about this in current reports 1/2023 and 3/2023.

Number of Eurocash S.A. shares held by supervising and managing persons

The balance of the Company's shares held by the Company's managers and supervisors, as of December 31, 2022, was as follows:

Table 23: Ownership of shares and subscription rights to the Company's shares by management personnel

	Eurocash shares		Rights to shares	
Management	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Pawel Surówka	0	not applicable	0	not applicable
Katarzyna Kopaczewska	330 000	330 000	0	0
Arnaldo Guerreiro	325 500	325 500	0	0
Pedro Martinho	1 055 803	1 055 803	0	0
Jacek Owczarek*	73 694	73 694	0	0
Przemyslaw Cias	10 850	10 850	0	0
Tomasz Polański	49 743	not applicable	0	not applicable
Dariusz Stolarczyk	17 176	not applicable	0	not applicable
Noel Collett**	not applicable	0	not applicable	0
Rui Amaral**	not applicable	347 025	not applicable	0

**directly through closely related parties*
***until 31.01.2022.*

Table 24: Ownership of shares and subscription rights to the Company's shares by supervisors

	Eurocash shares		Rights to shares	
Supervisory Board	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Luis Amaral (directly and indirectly)*.	61 287 778	61 287 778	0	0
Jorge Mora	121 500	121 500	0	0
Hans-Joachim Körber	0	0	0	0
Francisco José Valente Hipólito dos Santos	0	0	0	0
Przemyslaw Budkowski	0	0	0	0
Renato Arie**	0	0	0	0

** served as Member of the Management Board until 30.06.2022, on the Supervisory Board from 1.07.2022.*
*** served until 30.06.2022.*

Holders of securities with special control rights

The Company has no securities that confer special control rights and no shares of the Company with any preference attached to them. However, the Company's Articles of Association grant a personal right to one of the Company's shareholders in accordance with Section 13(2) of the Company's

Articles of Association, in the event that Politra B.V., organized and operating under Dutch law, or any of its legal successors remains a shareholder holding 30% or more of the shares in the Company's share capital, has the right to appoint and remove 3 (three) Members of the Supervisory Board of Eurocash.

Restrictions on the exercise of voting rights

Each Eurocash share entitles the holder to one vote at the General Meeting. The Company's Articles of Association do not provide for restrictions on the exercise of voting rights on Eurocash shares, such as restrictions on the exercise of voting rights by holders of a certain portion or number of votes, time restrictions on the exercise of voting rights, or provisions under which, with the Company's cooperation, capital rights related to securities are separated from the holding of securities.

On the other hand, the prohibition on a shareholder's exercise of voting rights may result from Article 89 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies of July 29, 2005 (hereinafter the "Act on Offering"), in the event that the shareholder violates certain provisions contained in Chapter 4 of the Act on Offering. In turn, pursuant to Article 6 § 1 of the Companies Act, if a parent company fails to notify a subsidiary capital company of the creation of a dominant relationship within two weeks from the date of the creation of that relationship, the exercise of voting rights from shares in the parent company representing more than 33% of the subsidiary's share capital is suspended.

Restrictions on transfer of ownership of securities

The Company's Articles of Association do not provide for restrictions on the transfer of ownership of the Issuer's securities. Instead, they result from legal regulations, including Chapter 4 of the Act on Offering referred to above, Articles 11 and 19 of the Act on Trading in Financial Instruments of July 29, 2005, the Act on Competition and Consumer Protection of February 16, 2007, Council Regulation (EC) No. 139/2004 of January 20, 2004. on the control of concentrations of undertakings, and Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 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 that could result in future changes in the size of shareholdings

The Management Board of Eurocash is not aware of any agreements that could result in a change in the proportions of shares held by shareholders in the future.

6.3. Diversity in the workplace

In Eurocash Group, anyone can take up a job regardless of age, gender, national and ethnic origin, race, religion, disability, sexual orientation or political views. In the Group, no actions or behavior

having the appearance of any discrimination against another employee, contractor or third party is tolerated.

6.4. Authorities and bodies of the Company

Management

The governing body of Eurocash S.A. is the Management Board, consisting of 8 (eight) members in 2022. The composition of the Management Board as of December 31, 2022 is presented below:

Table 25: Composition of the Company's Management Board at year-end 2022

Person	Function
Pawel Surówka	CEO
Katarzyna Kopaczewska	Board Member HR Director
Jacek Owczarek	Board Member Chief Financial Officer
Pedro Martinho	Board Member
Arnaldo Guerreiro	Board Member
Przemyslaw Cias	Board Member
Dariusz Stolarczyk	Board Member
Tomasz Polański	Board Member

Powers of the Board

The Management Board conducts the Company's affairs and represents the Company. Two members of the Management Board or one member of the Management Board together with a proxy are required to make declarations of intent and sign documents on behalf of the Company.

The work of the Board is headed by the President of the Board.

The Company's Management Board, as a body, acts collectively, and resolutions of the Management Board are the basis for the conduct of the Company's affairs conducted jointly by a multi-member Management Board. Resolutions of the Board are required in particular on the following matters:

(a) determining the long- and medium-term development strategy and the main objectives of the Company's operations and the growth of its shareholder value, submitting them to the Supervisory Board and evaluating the achievement of these objectives and modifying them, if necessary,

(b) defining the Company's financial goals,
(c) implementation and execution of the Company's long- and medium-term development strategy, as well as its main operational and financial goals,
(d) analysis of significant investment projects and ways to finance them,
(e) establishment of human resources and payroll policies, including:
- criteria for filling important management positions in the Company,
- determination of hiring, compensation and personnel policies and periodic analysis of the Company's personnel situation,
- Issuing opinions on determining and changing the remuneration or terms of employment of Board members,
- creation and modification of any stock option program or incentive plan of a similar nature for the benefit of executives and employees
(f) determining the organizational structure of the Company, and the Group, including determining the distribution of competencies among Board Members
(g) adoption of the Company's annual and/or multi-year budget,
(h) internal division of work and responsibilities of Board Members,
(i) proposal for distribution of profit or coverage of loss,
(j) decision to pay dividend advances,
(k) granting of a proxy,
(l) deciding on the implementation of projects with other entities,
(m) deciding on mergers with other entities and the acquisition of other entities or enterprises,
(n) incurring liabilities with a value exceeding PLN 100,000,000 and encumbering the Company's assets with a value exceeding PLN 150,000,000, if not provided for in the annual budget,
(o) sale, lease or transfer of the Company's assets with a value exceeding the amount of EUR 15,000,000 or its equivalent in zlotys, if not provided for in the annual budget,
(p) creation, issuance/issuance, acquisition or disposal of shares in another subsidiary,
(q) conclusion by the Company of a material agreement with a related party within the meaning of the regulations on the provision of current and periodic information by issuers whose shares are listed on the Warsaw Stock Exchange, except for typical transactions concluded on an arm's length basis as part of the Company's operating activities with a subsidiary in which the Company holds a majority equity stake,
(r) establishing Regulations and other internal normative acts of the Company, unless otherwise provided by law or the Articles of Association,
(s) matters of extraordinary importance, as well as matters and transactions that, in the reasonable opinion of the Board Member, may pose a significant risk to the Company,
(t) requesting the Supervisory Board's opinion on draft resolutions to be presented to Shareholders at the General Meeting,
(u) any other activities exceeding the scope of ordinary management of the Company.

Otherwise, individual members of the Management Board are responsible for the independent management of the Company's affairs arising from the internal division of duties and functions as determined by the Management Board' decision.

The Management Board may adopt resolutions at a meeting or outside of a meeting in writing or using means of direct communication at a distance. Resolutions of the Board are adopted by a simple majority of the votes cast by the members of the Management Board and are minuted. Proper notice of the meeting to all Board members is required for the validity of Board resolutions adopted at a Board meeting.

The detailed procedures of the Management Board are set forth at in the Regulations of the Management Board adopted by the Management Board and approved by the Management Board. The content of the current Regulations of the Management Board is available at https://grupaeurocash.pl/.

Salaries, rewards and terms of employment contracts

Information on remuneration paid for 2022. to members of the Management Boards of the Group's companies is provided in the section of the report containing the annual consolidated financial statements in Note 30 and in the part of the report containing the annual separate financial statements in note No. 31.

Supervisory Board

The Supervisory Board consists of 5 members, with the right to appoint and dismiss three members of the Supervisory Board vested in Politra B.V. (or its legal successors), while 2 members of the Supervisory Board are appointed and dismissed by the General Meeting. The dismissal of a member of the Supervisory Board is effective only if a new member of the Supervisory Board is appointed simultaneously with the dismissal.

The composition of the Supervisory Board in the period from 01.01.2022 to 31.12.2022 was as shown in the table below.

Table 26: Composition of the Company's Supervisory Board in 2022, together with the functions held by its members

Person	Function	Period of office
Luis Manuel Conceicao Pais do Amaral	Chairman of the Supervisory Board	30.06.2022 - 31.12.2022

Hans Joachim Körber	Chairman of the Supervisory Board Member of the Supervisory Board	01.01.2022 - 30.06.2022 30.06.2022 - 31.12.2022
Francisco José Valente Hipólito dos Santos	Member of the Supervisory Board	01.01.2022 - 31.12.2022
Renato Arie	Member of the Supervisory Board	01.01.2022 - 30.06.2022
Jorge Mora	Member of the Supervisory Board	01.01.2022 - 31.12.2022
Przemyslaw Budkowski	Member of the Supervisory Board	01.01.2022 - 31.12.2022

The status of independent members of the Supervisory Board was held by:

(i) Mr. Hans Joachim Körber and Mr. Przemysław Budkowski as members of the Supervisory Board appointed by the General Meeting of the Company

(ii) Mr. Renato Arie (until 30.06.2022) and Mr. Jorge Mora appointed by shareholder Politra B.V.s.a.r.l, who submitted a declaration that they meet the criteria for an independent member of the Supervisory Board.

Thus, until 30.06.2022, 4 of the 5 members of the Company's Supervisory Board were independent members. As of 30.06.2022, as a result of the appointment of Mr. Luis Amaral to the Company's Supervisory Board, 3 of the 5 members of the Company's Supervisory Board are independent members.

The Board elects the Chairman of the Board from among its members. The Supervisory Board may also dismiss the Chairman of the Board from his position. The Supervisory Board performs constant supervision over the Company's activities in all areas of its operations.

Powers of the Supervisory Board

Pursuant to § 14(2) of the Issuer's Articles of Association, the powers of the Supervisory Board include, in particular:

(i) evaluation of the Management Board's report on the Company's activities and the Company's financial statements, in terms of their compliance with the books and documents, as well as with the facts,

(ii) evaluation of the Management Board's proposals for distribution of profit or coverage of loss,

(iii) submitting an annual written report to the General Assembly on the results of the evaluations referred to above,

(iv) appointment and dismissal, as well as suspension for important reasons, of members of the Board,

(v) issuing opinions on planned amendments to the Statute,

(vi) approval - no later than by November 30 of each calendar year - of the annual budgets and amendments to them prepared by the Board,

(vii) issuing opinions on granting loans or financial assistance or entering into agreements outside the scope of the Company's ordinary activities with members of the Management Board,

(viii) selection of an auditor for the audit of the Company's financial statements,

(ix) adoption of the consolidated text of the Company's Articles of Association,

(x) other matters that under applicable laws or other provisions of the Company's Articles of Association require a resolution of the Supervisory Board.

In addition, the approval of the Supervisory Board expressed in the form of a resolution requires that the Board perform the following actions:

(i) deciding on the implementation of projects with other entities;

(ii) deciding on mergers with other entities and the acquisition of other entities or enterprises;

(iii) incurring liabilities with a value exceeding the amount of PLN 100,000,000 and encumbering the Company's assets with a value exceeding the amount of PLN 150,000,000, if not provided for in the annual budget;

(iv) sale, lease or transfer of the Company's assets with a value exceeding the amount of EUR 1,000,000 or its equivalent in PLN, if not provided for in the annual budget;

(v) Issuing opinions on determining and changing the remuneration or terms of employment of Board members;

(vi) creation, issuance/issuance, acquisition or disposal of shares in another subsidiary;

(vii) creation and modification of any stock option program or incentive plan of a similar nature for the benefit of executives and employees;

(viii) conclusion by the Company of a material agreement with a related party within the meaning of the regulations on the provision of current and periodic information by issuers whose shares are listed on the Warsaw Stock Exchange, except for typical transactions concluded on an arm's length basis as part of the Company's operating activities with a subsidiary in which the Company holds a majority equity stake.

The Supervisory Board performs its duties collectively. The Supervisory Board may, by means of a resolution adopted by a simple majority of votes, delegate individual Members to individually perform specific supervisory activities.

Members of the Supervisory Board perform their duties in person, but may participate in the adoption of resolutions of the Supervisory Board by casting their vote in writing through another member of the Supervisory Board. The Supervisory Board may adopt resolutions at a meeting or in writing or by means of direct remote communication.

Resolutions of the Supervisory Board are adopted by a simple majority of votes in the presence of at least 3 members of the Board. In case of an equal number of votes cast "for" and "against" a resolution, the vote of the Chairman of the Supervisory Board shall be decisive.

In addition, the approval of a majority of independent members of the Supervisory Board is required for the Supervisory Board to adopt resolutions on:

(i) benefits of any kind by the Company and any affiliates of the Company to members of the Management Board;
(ii) selection of an auditor for the audit of the Company's financial statements;
(iii) issuing an opinion on the granting of loans or financial assistance or entering into agreements outside the scope of the Company's ordinary activities with members of the Management Board;
(iv) approval of the exclusion of the Company's shareholders' pre-emptive right to purchase shares (subscription right) with respect to shares issued by the Management Board within the limits of authorized capital.

The detailed procedure of the Supervisory Board is set forth in the Regulations of the Supervisory Board. The content of the current Supervisory Board Regulations is available at: https://grupaeurocash.pl/.

Salaries, rewards and terms of employment contracts

Information on remuneration paid for 2022 to members of the Company's Supervisory Board is provided in the section of the report containing the annual consolidated financial statements in Note 30 and in the part of the report containing the annual separate financial statements in note No. 31.

Established committees

The Supervisory Board has the following internal committees:

(i) Audit Committee,

(ii) Remuneration Committee,

(iii) Nominating Committee.

Members of each of the aforementioned committees are elected by the Supervisory Board, with the Compensation Committee and the Nominating Committee to include at least one independent member of the Supervisory Board. The Audit Committee should include at least two independent members of the Supervisory Board and one member who is a financial specialist, i.e. a person with relevant experience in financial management and accounting in public companies or other companies of comparable size.

Audit Committee

The Audit Committee's responsibilities include:

a. monitoring of:
   i. the financial reporting process
   ii. the effectiveness of internal control and risk management systems and internal audit, including with regard to financial reporting
   iii. the performance of financial auditing activities, in particular, the audit firm's performance of the audit, taking into account any conclusions and findings of the Audit Oversight Committee arising from the audit conducted at the audit firm
b. overseeing the Company's reporting of financial information in periodic reports, forecasts, etc.,
c. supervising the work of the Company's external auditors,
d. making a recommendation to the Supervisory Board on the selection of an audit firm, in accordance with the adopted policy and selection procedure, whereby the audit firm may not provide services for more than 5 years controlling and monitoring the independence of the auditor and the audit firm, in particular when services other than auditing are provided to the public interest entity by the audit firm
e. overseeing the relationship with the Company's external auditor, in particular:
   i. assessment of the auditor's independence, his remuneration and non-audit work performed for the Company;
   ii. approval for the auditor to provide permitted services that are not an audit of the annual financial statements
   iii. deciding on the involvement of the external auditor in matters concerning the content and promulgation of financial reports,
f. informing the Supervisory Board of the results of the audit of the Company's annual financial statements and explaining how the audit contributed to the integrity of the Company's financial reporting, as well as what role the Audit Committee played in the audit process

g. annual evaluation of the functioning of the internal control system and the system for managing risks relevant to the Company's affairs, and evaluation of its own functioning in the form of an annual report on the issues that have been discussed and studied and on the relationship with the Company's external auditor (in particular, its independence), which report forms part of the annual report of the Supervisory Board presented at the Annual General Meeting
h. determining the procedure for the selection of an audit firm by a public interest entity;
i. developing a policy for selecting an audit firm to audit the Company's annual separate and consolidated financial statements;
j. developing a policy for the provision of permitted non-audit services by the audit firm, by affiliates of the audit firm and by a member of the audit firm's network
k. submitting recommendations to ensure the integrity of the Company's financial reporting process.

The Audit Committee consisted of the following during the period 01.01.2022 - 30.06.2022: 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), while in the period 30.06.2022 - 31.12.2022: Mr. Jorge Mora (Chairman of the Audit Committee), Mr. Francisco José Valente Hipólito dos Santos (Member of the Audit Committee) and Mr. Hans Joachim Körber (Member of the Audit Committee).

Remuneration Committee

The Remuneration Committee's responsibilities include:

(i) assuring the Supervisory Board of the existence of a remuneration policy for the Management Board, about which the Remuneration Committee has sufficiently detailed information, including that it is aware of (a) the remuneration structure; (b) the amount of fixed remuneration, (c) shares and/or stock options, and/or other variable remuneration components and any other forms of remuneration, as well as the criteria that should be met by members of the Management Board with a description of their application,
(ii) annually proposing to the Supervisory Board the adoption of an opinion on the compliance of the Management Board's remuneration policy and its implementation with the desired corporate governance standards,
(iii) ensuring disclosure to the Supervisory Board of the amount of the Management Board's remuneration resulting from the implementation of the Management Board's remuneration policy,
(iv) annual evaluation of its own performance in the form of an annual activity report, which forms part of the annual report of the Supervisory Board presented at the Annual General Meeting.

The Remuneration Committee consisted of the following during the period 01.01.2022 - 30.06.2022: Mr. Renato Arie (Chairman of the Remuneration Committee), Mr. Przemysław Budkowski (Member of

the Remuneration Committee) and Mr. Francisco José Valente Hipólito dos Santos (Member of the Remuneration Committee). In connection with the termination of Mr. Renato Arie as a Member of the Supervisory Board, there was a change in the composition of the Remuneration Committee on 30.06.2022. The Remuneration Committee consisted of the following during the period 30.06.2022 - 31.12.2022: Mr. Przemysław Budkowski (Chairman of the Remuneration Committee), Mr. Francisco José Valente Hipólito dos Santos (Member of the Remuneration Committee) and Mr. Jorge Mora (Member of the Remuneration Committee).

Nominating Committee

The powers of the Nominating Committee include:

a. determining and recommending, for approval by the Supervisory Board, candidates for members of the Supervisory Board to be appointed by the General Meeting in connection with filling emerging or anticipated vacancies on the Supervisory Board (including in connection with the expiration of the term of office of the Supervisory Board),
b. issuing opinions on candidates for members of the Supervisory Board appointed by the General Meeting, submitted by the Company's shareholder(s),
c. determining and recommending candidates for members of the Management Board and the President of the Management Board, the selection of which is made by the Supervisory Board, in connection with the filling of emerging or expected vacancies on the Management Board (including in connection with the expiration of the term of office of a Member or President of the Management Board);
d. annual evaluation of its own performance in the form of an annual activity report, which forms part of the annual report of the Supervisory Board presented at the Annual General Meeting.

The Nominations Committee consisted of the following during the period 01.01.2022 - 31.12.2022: Mr. Hans Joachim Körber (Chairman of the Nomination Committee) and Mr. Jorge Mora (Member of the Nomination Committee). On 30.06.2022, Mr. Renato Arie (Member of the Nominating Committee) ceased to serve as a Member of the Supervisory Board and was replaced by Mr. Luis Amaral in his role as a Member of the Nominating Committee, effective 30.06.2022.

The rules of these committees are regulated in detail in Division VII of the Council Regulations Supervisory Board (Supervisory Board Committees) available at: https://grupaeurocash.pl/.

General Assembly

The manner of operation of the General Meeting of Shareholders and its essential powers are derived directly from legal regulations, which have been partially incorporated into the Company's Articles of Association and Regulations of the General Meeting of Shareholders. Both the Articles of Association and the Regulations of the General Meeting are available on the Company's website.

As of August 3, 2009, in accordance with Paragraph 15(3) of the Articles of Association and pursuant to Paragraph 1(3) of the Company's General Meeting Regulations, the General Meeting is convened through an announcement containing all the elements referred to in Article 402^2 of the CCC made no later than 26 days prior to the date of the General Meeting on the Company's website and in the manner prescribed for the transmission of current information in accordance with the Act on Offering.

At each Meeting, members of the Supervisory Board and the Management Board should be present to provide substantive answers to questions asked at the General Meeting. The auditor should be present at the ordinary (annual) General Meeting and at the Extraordinary General Meeting, if the Company's financial affairs are discussed there. The members of the Supervisory Board, the Management Board and the auditor should, within the limits of their competence and to the extent necessary for the resolution of the matters discussed by the Meeting, provide the participants of the Meeting with explanations and information concerning the Company.

Members of the Management Board and Supervisory Board, the auditor, if the subject of the meeting is the Company's financial affairs, experts invited by the body convening the General Meeting, the notary who prepares the minutes of the General Meeting, representatives of the media are entitled to participate in the General Meeting. Other persons may participate in the General Meeting with the consent of the Chairman of the General Meeting.

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

(i) reviewing and approving the Management Board's report on the Company's activities and financial statements for the past fiscal year and discharging the members of the Company's bodies for the performance of their duties;
(ii) deciding on claims for compensation for damage caused in the formation of the Company or in connection with the Board's activities;
(iii) disposal and lease of an enterprise or an organized part thereof and the establishment of a limited right in rem thereon;
(iv) creating capitals in the Company and deciding on their allocation;
(v) approval of the Company's long-term strategic plans;
(vi) adoption of resolutions on the distribution of profit and coverage of losses;
(vii) amendment of the Company's 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 an investment underwriting or service underwriting agreement;

(xi) making decisions on other matters which, in accordance with the provisions of the Commercial Companies Code and other laws and with the provisions of these Articles of Association, are within the exclusive competence of the General Meeting.

6.5. Rules for amending the Articles of Association of the Company

A resolution of the General Meeting of Shareholders to amend the provisions of the Company's Articles of Association requires the prior opinion of the Company's Supervisory Board.

An amendment to the provisions of the Company's Articles of Association involving a significant change in the Company's objects without repurchasing the shares of those shareholders who do not agree to the change shall require a resolution of the General Meeting adopted by a majority of ¾ of the votes cast in the presence of shareholders representing at least 50% of the Company's share capital.

An amendment to the Company's Articles of Association to reduce the Company's share capital requires a resolution of the General Meeting adopted by a ¾ majority.

Amendments to the provisions of the Company's Articles of Association in other respects shall require a resolution of the General Meeting adopted, unless the provisions of the CCC or the Act on Offering provide otherwise, by an absolute majority of votes.

6.6. Rules regarding the appointment and dismissal of managers and their powers, in particular the right to decide on the issuance or repurchase of shares

Pursuant to Paragraph 9 (1) and (2) of the Company's Articles of Association, the Management Board consists of from two to ten persons appointed by the Supervisory Board for independent terms of three years. The number of members of the Management Board is determined by the Supervisory Board. The Supervisory Board also appoints by resolution one of the members of the Management Board as President of the Management Board. A member of the Management Board may be dismissed from his or her position by a resolution adopted by the Supervisory Board or the Company's General Meeting of Shareholders.

The scope of activities of the Management Board includes all matters of the Company not reserved for the competence of the General Meeting and the Supervisory Board. The competencies of the General Meeting and the Supervisory Board are described in Section 6.4 of the Report.

The Management Board may decide to buy back shares in cases and under conditions specified by generally applicable laws. The Management Board manages the Company's affairs and represents the Company externally. The detailed rules of the Management Board are described in Section 6.4 of the Report.

6.7. Employee share control system

The company does not hold employee shares.

6.8. Incentive and Bonus Program for 2022 Employees.

On June 30, 2022, the Company's Ordinary General Meeting of Shareholders, by Resolution No. 25, established the 2022 Employee Incentive and Bonus Program (hereinafter "the Program") for certain key employees of the Company and companies directly or indirectly affiliated with the Company by capital (hereinafter "Eurocash Group"). The Program is a continuation of the incentive programs addressed to managers, executives and employees of primary importance to the business conducted by the Eurocash Group enabling outstanding individuals to acquire shares in the Company as a bonus.

In connection with the Program, the Company will issue 278,326 (two hundred and seventy-eight thousand three hundred and twenty-six) registered Series P Bonds, each with a par value of 1 (one) penny, each of which will entitle the holder to subscribe for and acquire 25 (twenty-five) Series N Shares with priority over the Company's shareholders. The Series P Bonds will be redeemed by the Company on July 3, 2028 by paying a cash amount equal to the par value of the Series P Bonds. Persons eligible under the Program to purchase all or part of the Series P Bonds shall be only the management, officers and persons of primary importance to the business of the Eurocash Group, employed and performing their duties for a period of 3 years starting from January 1, 2022.

The program will be implemented only if (i) the consolidated operating profit (EBIT) of the Company's Group in 2025 is at least PLN 600,000,000 or (ii) the average price of the Company's shares on the Warsaw Stock Exchange. (calculated as the average of the closing prices on each trading day) during the six-month period between July 1, 2024 and December 31, 2025 will be at least PLN 30.

The list of persons initially eligible under the Program was adopted in the aforementioned Resolution No. 25 of the Company's Annual General Meeting of June 30, 2022, and subsequently, in accordance with the regulation of the aforementioned General Meeting's resolution, in a resolution of the Company's Supervisory Board.

6.9. Main features of internal control and risk management systems in relation to the process of preparing financial statements

The Management Board of the Eurocash is responsible for the Company's internal control system and its effectiveness in the process of preparing separate financial statements and periodic reports prepared and published in accordance with the Decree on Current and Periodic Information (...) dated March 29, 2018.

Responsibility for setting and fulfilling the risk management policy lies with the Eurocash's Management Board. In order to fulfill these tasks, the Management Board has established a risk management team whose responsibilities include building and monitoring the risk management policy. The team regularly reports on its work to the Management Board.

A risk management team has been established to identify and analyze the risks associated with the Company's operations and to set appropriate risk limits and controls, as well as to monitor deviations from these limits. The policy and the risk management system are regularly reviewed to continuously respond to current changes in market conditions and the Company's operations. By improving qualifications, adopting standards and procedures, the Company strives for a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

The preparation of the Company's stand-alone financial statements and periodic reports is the responsibility of the Eurocash's financial department headed by the Chief Financial Officer. The financial data underlying the consolidated financial statements are derived from the financial and management reporting used by the Group companies. Middle and senior management of the Group's companies jointly analyze the companies' financial performance against budget assumptions after the accounting close of each calendar month.

In the process of preparing separate financial statements, one of the basic elements of control is their review by an independent auditor. The auditor's task is, in particular, to review the semiannual separate financial statements, as well as the preliminary and fundamental audit of the annual separate financial statements. The independent auditor is selected by the Company's Supervisory Board. The financial statements after the auditor completes the audit are sent to the members of the Supervisory Board, which evaluates the Company's financial statements.

An important element of risk management in the process of preparing separate financial statements is the internal control exercised by the Eurocash's internal audit department, which, among the tasks assigned to it, also controls the implementation of risk management policies and procedures. In this regard, the Risk Management and Sustainable Department performs both planned audits and ad hoc checking procedures.

The annual program of scheduled internal audits is created on the basis of a risk assessment of business processes, which is conducted by the Director of the Risk Management and Sustainability Department with the Eurocash's Management Board. In addition to scheduled audits, non-scheduled audits are carried out at the request of the Eurocash's Management Board, as well as verification audits against recommendations from previous audits. The internal audit work results in recommendations for improving the Company's control mechanisms.

An annual review of both strategy and business plans is carried out at Eurocash. The budgeting process is supported by the middle and senior management of the Eurocash member companies. The budget and business plan prepared for the following year is adopted by the Eurocash's Management Board and approved by its Supervisory Board. During the year, the Eurocash's Management Board analyzes the financial results with the adopted budget based on the Company's accounting policy.

The Eurocash's Management Board systematically evaluates the quality of internal control and risk management systems in relation to the financial reporting process. Based on the assessment, the Eurocash's Management Board concludes that as of December 31, 2022, there were no circumstances that could materially affect the effectiveness of internal control over financial reporting.

6.10. Information on the Audit Committee

1. The Audit Committee consisted of the following during the period 01.01.2022 - 30.06.2022: 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), while in the period 30.06.2022 - 31.12.2022: Mr. Jorge Mora (Chairman of the Audit Committee), Mr. Francisco José Valente Hipólito dos Santos (Member of the Audit Committee) and Mr. Hans Joachim Körber (Member of the Audit Committee).

2. The following members of the Audit Committee met the statutory criteria for independence: 01.01.2022 - 31.12.2022: Mr. Jorge Mora (Chairman of the Audit Committee), in the period 01.01.2022 - 30.06.2022 Mr. Przemysław Budkowski (Member of the Audit Committee), in the period 01.07.2022 - 31.12.2022: Mr. Hans Joachim Körber (Member of the Audit Committee).

3. The following Audit Committee Members had/have knowledge and skills in accounting or auditing:

- Mr. Francisco José Valente Hipólito dos Santos has a university degree with a specialization in Business Management. He graduated from the Portuguese Catholic University of Lisbon (Universidade Católica Portuguesa) in 1984. From 1999 to 2003, he served as a member of the Management Board at Barclays Bank Portugal. From 2003 to 2006, he headed the Marketing Department at Banco Espirito Santo, S.A., and from 2007 to 2011, he was Director in the bank's Savings Department. In the period 2011. - 2012, he served as Managing Director at Banco BEST S.A. From the beginning of 2013, he took on the position of Non-Managing Director at this bank, as well as the position of Board Advisor for International Affairs at Banco Espirito Santo S.A. until August 2014, when he took on the position of Compliance Officer at Novo Bonco, which he held until June 2017. Subsequently, he held management positions in a number of companies in various sectors, including real estate, tourism and FMCG. Mr. Francisco José Valente Hipólito dos Santos has served as a member of the Eurocash Supervisory Board since 2013.

- Mr. Jorge Mora graduated from the University of Miami with a degree in 1989 and from the Wharton School with an MBA in 1993. He has more than 25 years of experience working in international corporate consulting and private equity investments. His most recent position was Vice Chairman and Senior Managing Director at Macquarie Capital in the US. Previously,

he was Head of Financial Sponsoring at Lazard and before that Managing Director at UBS. He is currently active on several non-profit boards and in Venture Capital investments.

- Mr. Hans Joachim Körber holds a degree in brewing and a PhD from the Technical University of Berlin. He gained business experience in management positions including: the RA Oetker Group and the German and international structures of the Metro SB-Großmärkte group of companies. With the establishment of Metro AG in 1996, he joined the company's Management Board, which he led from 1999 to 2007, serving as chairman of the board. He is currently a member of the supervisory boards of a number of international companies.

4. A member of the Audit Committee with knowledge and skills in the industry in which the Company operates :

- Mr. Przemysław Budkowski graduated in 2005 with a degree in Management and Marketing from the Poznań University of Economics. From 2005 -2009 he held the position of Product Marketing Manager for Central and Eastern Europe at Google. In the years 2009 -2018 he was associated with Allegro Group, where in 2009 -2011 he held the position of Marketing Director and then President of the Management Board. Mr. Przemysław Budkowski is an expert in marketing and e-commerce
- Mr. Hans Joachim Körber
  Many years of experience in management and company board positions in the wholesale and retail business of major German and international corporations.

5. Main principles of the audit firm selection policy

The auditor is selected based on the following criteria:

- understanding of the business, trends affecting the Company - FMCG industry (wholesale and retail), current issues affecting the Company in terms of competitiveness, reporting and legal and tax solutions
- experience in audit and non-audit services for FMCG companies;
- experience in auditing companies listed on the Warsaw Stock Exchange (WIG20 preferred), knowledge of corporate governance and reporting standards of listed companies;
- people - members of the auditor's teams should be experts in their field, have access to technical knowledge, be familiar with the latest accounting standards;
- organization - the bidder must be able to meet the needs of the Company - have adequate reach and resources to carry out the study (offices in Poland, preparation for cooperation with the international Management Board and Supervisory Board);
- independence - the bidder should provide a detailed description of orders completed for the Company and FMCG companies;

- opportunity for the Company to access the auditor's specialized industry teams and benefit from the knowledge of experts in the industry;
- salary.

The auditor, i.e. Grant Thornton Polska sp. z o.o. sp. k. with its registered office in Poznań, audited the Company's reports for 2022 following the selection by the Supervisory Board of Eurocash S.A. pursuant to § 14 item 2 of the Company's Articles of Association, on June 27, 2022. The auditor meets the conditions and criteria for selection. In the opinion of the Audit Committee, the Company's auditor, due to the fact that he has no other business ties with the Company, can perform his functions in an independent manner.

6. The Audit Committee held 3 meetings in 2022: on April 14, 2022, June 27, 2022, August 29, 2022; in addition, the fourth meeting of the Audit Committee was held on January 18, 2023 for fiscal year 2022.
in addition, the fourth and fifth meetings of the Audit Committee for fiscal year 2022 were held on January 18, 2023 and February 28, 2023.

7. STATEMENT ON NON-FINANCIAL INFORMATION

EU Taxonomy Regulation (EU) 2020/852 of the European Parliament and of the Council (Article 8(1) of the Taxonomy) imposes on entities subject to the provisions of the NFRD (i.e. entities referred to in Article 49b of the AA) the obligation to disclose whether and to what extent their business activities is consistent with the assumptions of Taxonomy. In 2022, in the Eurocash Group, the percentage of turnover qualifying for the taxonomy is approximately 0.04% and approximately 89.73% in the case of operating costs (OpEx), and approximately 15.04% in the case of capital expenditures (CapEx). Due to the Group's application of incomplete minimum guarantee and due diligence requirements, all activities eligible for the Taxonomy have been found to be incompatible with the taxonomy. Detailed information on the Taxonomy can be found in the Sustainable Development Report of the Eurocash Group.

8. MANAGEMENT STATEMENTS

8.1. Selection of the entity authorized to audit the financial statements

The Supervisory Board of Eurocash S.A., acting on the basis of § 14 item 2 of the Company's Articles of Association, on June 27, 2022, as a result of a tender procedure, selected Grant Thornton Polska sp. z o.o. sp. k. with its registered office in Poznań ((currently under the business name: Grant Thornton Polska Prosta Spółka Akcyjna (KRS: 0001002477)) ("Grant Thornton")), registered in the list of entities authorized to audit financial statements under No. 4055, as the external auditor for the audit of the Company's financial statements for 2022 and 2023.

The members of the Management Board of Eurocash S.A. declare that Grant Thornton - the entity authorized to audit financial statements, auditing the annual separate financial statements of Eurocash S.A. and auditing the annual consolidated financial statements of the Eurocash S.A. Capital Group., was selected in accordance with the provisions of law, and that the entity and the auditors auditing the statements met the conditions for expressing an unbiased and independent opinion on the audited annual separate financial statements, in accordance with applicable regulations and professional standards.

ANNEX: Definitions of financial ratios presented in the management board report

Gross sales profitability:	The ratio of gross sales margin to sales revenue.
EBITDA profitability:	The ratio of EBITDA (operating profit plus depreciation and amortization) to sales revenue.
Operating profitability:	The ratio of operating profit to sales revenue.
Net sales profitability:	The ratio of net profit to sales revenue.
Inventory turnover cycle:	The ratio of inventory at the end of a period to the value of sales revenue during the period multiplied by the number of days in the period.
Receivables turnover cycle:	The ratio of trade receivables at the end of the period to the value of sales revenues in the period multiplied by the number of days in the period.
Payables turnover cycle:	The ratio of the balance of trade payables at the end of the period to the value of cost of sales in the period multiplied by the number of days in the period.
Operating cycle:	The sum of inventory turnover and accounts receivable turnover cycles.
Cash conversion cycle:	The difference between the operating cycle and the accounts payable cycle.

SIGNATURES OF BOARD MEMBERS

Position	**Name**	**Date**	**Signature**
CEO	Pawel Surówka	March 27, 2023.	
Board Member	Przemysław Ciaś	March 27, 2023.	
Board Member	Arnaldo Guerreiro	March 27, 2023.	
Board Member Human Resources Director	Katarzyna Kopaczewska	March 27, 2023.	
Board Member	Pedro Martinho	March 27, 2023.	
Board Member Chief Financial Officer	Jacek Owczarek	March 27, 2023.	
Board Member	Tomasz Polański	March 27, 2023.	
Board Member	Dariusz Stolarczyk	March 27, 2023.	