EUROCASH S.A.

SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2022 TO 31 DECEMBER 2022

TRANSLATORS' EXPLANATORY NOTE
The following document is a translation of the report for the above-mentioned Polish Company.
Should any discrepancies arise while interpreting the terminology, the Polish version is binding.

KOMORNIKI, 27 March 2023

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1. GENERAL INFORMATION

1.1. INFORMATION ABOUT THE COMPANY

1.1.1. Name

EUROCASH Spółka Akcyjna ("Company")

1.1.2. Registered office

ul. Wiśniowa 11, 62-052 Komorniki

1.1.3. Core business

Non-specialized wholesale trade (PKD 4690Z)

1.1.4. Registry court

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

1.1.5. Period for which the company was established

Indefinite

1.1.6. Period covered by the financial statements

The reporting period started 1 January 2022 and ended 31 December 2022, and the comparable period is the period from 1 January 2021 to 31 December 2021.
The consolidated statement of financial position has been prepared as at 31 December 2022, and the comparative figures are presented as at 31 December 2021.
The Company prepared consolidated financial statements for the year ended on 31 December 2022, which was approved for publication on 27 March 2023.

1.2. BODIES OF THE COMPANY

1.2.1. MANAGEMENT BOARD

As at 31 December 2022, the Company's Management Board consisted of the following members:

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

1.2.2.SUPERVISORY BOARD

As at 31 December 2022, the Company's Supervisory Board consisted of the following members:

Luis Manuel Conceicao do Amaral – President of the Supervisory Board,
Hans Joachim Körber – Member of the Supervisory Board,
Francisco José Valente Hipólito dos Santos – Member of the Supervisory Board,
Jorge Mora – Member of the Supervisory Board,
Przemysław Budkowski – Member of the Supervisory Board.

1.2.3.CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

Appointment of a Member of the Management Board

On 16 December 2021, the Management Board of the Company, in the current report No. 16/2021, informed that the Supervisory Board of Eurocash adopted a resolution to appoint, with effect from 1 January 2022, Mr. Paweł Surówka as President of the Management Board. On 1 January 2022, in accordance with the resolution of the Supervisory Board, the position of Mr. Luis Amaral was changed from President of the Management Board to Member of the Management Board. On 31 January 2022, the Supervisory Board of Eurocash adopted a resolution on the appointment with effect from 1 February 2022. for the positions of Mr. Dariusz Stolarczyk and Mr. Tomasz Polański as Members of the Company's Management Board. On 31 January 2022, Mr. Noel Collett and Mr. Rui Amaral resigned as Members of the Management Board of Eurocash. On 30 June 2022, Mr. Luis Amaral resigned from the position of Member of the Management Board of Eurocash. The submitted resignation was related to the intention to join Mr. Luis Amaral to the Supervisory Board of the Company, about which the Company informed in current reports of 16 December 2021, RB 16/2021 and of 31 January 2022, RB 2/2022 and of 30 June 2022, RB No. 15/2022 and 16/2022.

Appointment of a Member of the Supervisory Board

Due to the expiry of the term of office of the members of the Company's Supervisory Board on 30 June 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 of office. On 30 June 2022, Mr. Luis Amaral was also appointed to the Supervisory Board, who was elected Chairman of the Supervisory Board.

SEPARATE INCOME STATEMENT FOR THE PERIOD FROM 01.01.2022 TO 31.12.2022

	Note	for the period from 01.01.2022 to 31.12.2022	for the period from 01.01.2021 to 31.12.2021
Sales		**18 660 441 597**	**16 116 464 851**
Sales of goods	25	18 581 233 309	16 067 535 048
Sales of services	25	79 208 288	48 929 803
Costs of sales		**(16 566 836 599)**	**(14 346 179 591)**
Costs of goods sold		(16 566 836 599)	(14 346 179 591)
Gross profit (loss)		**2 093 604 998**	**1 770 285 259**
Selling expenses	26	(1 546 547 994)	(1 333 918 484)
General and administrative expenses	26	(280 623 960)	(257 629 203)
Profit (loss) on sales		**266 433 043**	**178 737 572**
Other operating income	27	56 277 794	55 594 386
Other operating expenses	27	(35 637 669)	(8 245 533)
Operating profit (loss)		**287 073 168**	**226 086 425**
Financial income	28	131 245 465	195 701 483
Financial costs	28	(208 336 083)	(247 381 847)
Profit (loss) before tax		**209 982 549**	**174 406 061**
Income tax expense	23	(38 754 189)	(37 392 569)
Profit (loss) for the period		**171 228 360**	**137 013 492**

* Note 1

EARNINGS PER SHARE

		PLN / akcję	PLN / akcję
Weighted average number of shares	29	139 163 286	139 163 286
Weighted average diluted number of shares	29	139 163 286	139 163 286
- basic		1,23	0,98
- diluted		1,23	0,98

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01.2022 TO 31.12.2022

	for the period from 01.01.2022 to 31.12.2022	for the period from 01.01.2021 to 31.12.2021
Profit (loss) for the period	**171 228 360**	**137 013 492**
Other comprehensive income for the period	(13 943 167)	31 299 360
Items that may be subsequently reclassified to profit or loss:		
- The result on hedge accounting with the tax effect:	(13 943 167)	31 299 360
Total comprehensive income for the period	**157 285 193**	**168 312 852**

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31.12.2022

Assets	*Note*	as at 31.12.2022	as at 31.12.2021
Non-current assets		**4 477 393 748**	**4 577 552 123**
Goodwill	2	1 204 087 310	1 204 087 310
Intangible assets	2	452 583 466	589 060 258
Property, plant and equipment	3	350 431 956	393 578 904
Right of use assets	4	770 034 097	830 318 024
Investment property	6	898 110	913 684
Investments in subsidiary companies	7	1 684 524 377	1 546 474 327
Investments in equity accounted investees	8	4 590 840	4 590 840
Other long-term investments	9	57 633	4 202 474
Long-term receivables	10	1 626 627	1 424 348
Other long-term prepayments	11	8 559 332	2 901 955
Current assets		**2 378 206 708**	**2 092 999 643**
Inventories	12	998 661 275	955 912 870
Trade receivables	13	1 214 176 548	995 839 265
Current tax receivables	13	29 938 565	0
Other short-term receivables	13	56 215 382	83 241 466
Other short-term financial assets	14	6 404 074	15 360 196
Short-term prepayments	15	27 050 938	23 383 276
Cash and cash equivalents	16	45 759 926	19 262 571
Total assets		**6 855 600 456**	**6 670 551 767**

Equity and liabilities	*Note*	as at 31.12.2022	as at 31.12.2021
Equity		**1 462 886 444**	**1 301 747 006**
Share capital	17	139 163 286	139 163 286
Reserve capital		1 081 718 089	940 850 351
Valuation equity of hedging transactions		(4 378 310)	9 564 857
Retained earnings		246 383 379	212 168 511
Accumulated profit / loss from previous years		75 155 018	75 155 019
Profit (loss) for the period		171 228 360	137 013 492
Liabilities		**5 392 714 012**	**5 368 804 761**
Non-current liabilities		**998 732 104**	**1 458 363 469**
Long-term loans and borrowings	20	160 400 000	571 020 000
Other long-term financial liabilities	21	131 074 826	125 000 000
Long-term lease liabilities	22	653 631 176	721 847 018
Other long-term liabilities	19	15 493 369	15 497 004
Deferred tax liabilities	24	34 407 635	20 757 585
Employee benefits	18	3 725 098	4 241 863
Current liabilities		**4 393 981 907**	**3 910 441 292**
Loans and borrowings	20	586 960 953	456 133 712
Other short-term financial liabilities	21	15 041 727	16 763 774
Short-term lease liabilities	22	186 395 524	174 243 883
Trade payables	19	3 168 902 792	2 800 868 535
Current tax liabilities	19	0	6 382 004
Other short-term payables	19	174 936 003	184 477 060
Current employee benefits	18	99 231 986	92 123 119
Provisions	18	162 512 924	179 449 205
Total equity and liabilities		**6 855 600 456**	**6 670 551 767**

SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01.2022 TO 31.12.2022

	for the period from 01.01.2022 to 31.12.2022	for the period from 01.01.2021 to 31.12.2021
Cash flow from operating activities		
Profit (loss) before tax	**209 982 549**	**174 406 061**
Adjustments for:	**393 833 467**	**355 330 026**
Depreciation and amortization	289 866 450	297 156 531
Valuation of motivational programm	3 854 246	0
Gain (loss) on sale of property, plant and equipment	32 889 641	148 638 130
Profit (loss) on exchange rates	4 831 082	1 241 933
Dividends received	(75 648 013)	(164 116 680)
Interest expenses	169 251 894	75 903 799
Interest received	(31 211 833)	(3 493 687)
Operating cash before changes in working capital	**603 816 016**	**529 736 087**
Changes in inventory	(42 748 405)	(185 155 289)
Changes in receivables	(192 621 955)	8 299 539
Changes in payables	339 868 612	176 928 581
Changes in provisions and employee benefits	(30 130 996)	5 765 521
Operating cash	**678 183 273**	**535 574 440**
Interest received	3 368 513	2 583 900
Interest paid	(63 228 439)	(11 975 115)
Income tax paid	(58 175 707)	(10 582 191)
Net cash from operating activities	**560 147 640**	**515 601 034**
Cash flow from investing activities		
Aquisition of intangible assets	(33 670 476)	(48 522 833)
Proceeds from sale of intangible assets, property, plant and equipment	156 732	4 628 964
Aquisition of property, plant and equipment tangible fixed assets	(40 499 279)	(46 614 144)
Proceeds from sale of property, plant and equipment	5 214 432	21 989 942
Share capital increase in a subsidiary	(25 000 000)	(55 000 000)
Dividends received	75 648 013	164 116 680
Aquisition of subsidiaries	(1 408 456)	(86 217 919)
Loans granted	0	(1 718 200)
Repayment received of given loans	1 600 427	0
Interest received	1 853 444	1 038 640
Net cash used in investing activities	**(16 105 163)**	**(46 298 870)**

Cash flow from financing activities		
Income/expenses for other financial liabilities	(1 722 048)	339 231
Proceeds from loans and borrowings	0	182 006 897
Repayment of borrowings	(279 792 760)	(361 733 882)
Expenses for liabilities from leasing	(164 125 314)	(162 098 240)
Other interests	16 971 520	(15 101 486)
Lease inteterests	(26 474 921)	(26 632 232)
Interests on loans and borrowings	(62 401 600)	(20 631 295)
Dividends paid	0	(66 798 377)
Net cash used in financing activities	**(517 545 122)**	**(470 649 385)**
Net change in cash and cash equivalents	**26 497 355**	**(1 347 222)**
Cash and cash equivalents at the beginning of the period	19 262 571	20 609 792
Cash and cash equivalents at the end of the period	**45 759 926**	**19 262 571**

SEPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 01.01.2022 TO 31.12.2022

Changes in equity in the period from 01.01 to 31.12.2021	Share capital	Reserve capital	Hedge reserve	Retained earnings	**Total**
Balance as at 01.01.2021 after changes	**139 163 286**	**878 713 695**	**(21 734 503)**	**204 090 052**	**1 200 232 530**
Profit (loss) for the period from 01.01. to 31.12.2021*	0	0	0	137 013 492	**137 013 492**
Net profit presented directly in equity	0	0	31 299 360	0	**31 299 360**
Total comprehensive income for the period from 01.01. to 31.12.2021	**0**	**0**	**31 299 360**	**137 013 492**	**168 312 852**
Dividends declared				(66 798 377)	**(66 798 377)**
Transfer to reserve capital	0	62 136 656	0	(62 136 656)	**0**
Total transaction with Owners of the Company recognized directly in equity	**0**	**62 136 656**		**(128 935 033)**	**(66 798 377)**
Balance as at 31.12.2021	**139 163 286**	**940 850 351**	**9 564 857**	**212 168 511**	**1 301 747 006**

Changes in equity in the period from 01.01 to 31.12.2022					
Balance as at 01.01.2022	**139 163 286**	**940 850 351**	**9 564 857**	**212 168 511**	**1 301 747 005**
Profit for the period from 01.01. to 31.12.2022	0	0	0	171 228 360	**171 228 360**
Other comprehensive income	0	0	(13 943 167)	0	**(13 943 167)**
Total comprehensive income for the period from 01.01. to 31.12.2022	**0**	**0**	**(13 943 167)**	**171 228 360**	**157 285 193**
Transfer to reserve capital	0	137 013 492	0	(137 013 492)	**0**
Valuation of incentive programs for employees	0	3 854 246	0		**3 854 246**
Balance as at 31.12.2022	**139 163 286**	**1 081 718 089**	**(4 378 310)**	**246 383 379**	**1 462 886 445**

2. NOTES TO SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2022 TO 31.12.2022

2.1. GENERAL INFORMATION

2.1.1. PUBLICATION OF THE FINANCIAL STATEMENT

According to the resolution of the Management Board dated 27 March 2022, separate financial statements of Eurocash S.A. for the period from 1 January 2022 to 31 December 2022 were authorized for publication.

According to the information included in current report no.2/2023, dated 31 January 2023, sent to the Polish Financial Supervision Authority, Eurocash S.A. publishes its separate financial statements on 28 March 2023.

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

2.1.2. STATEMENT OF COMPLIANCE

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

These annual separate financial statements must be read with the annual consolidated financial statements of the Eurocash S.A. Capital Group as at and for the period ended on 31 December 2022 and in the separate financial statements of Eurocash S.A. as at and for the year ended 31 December 2021, which is available on the website www.grupaeurocash.pl.

As at the date of approval of this report for publication, taking into account the ongoing process of introducing IFRS in the European Union, the IFRS applicable to this financial statement do not differ from EU IFRS.

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

The accounting principles (policies) applied to the preparation of the consolidated financial statements are consistent with those applied to the preparation of the annual consolidated financial statements of the Company for the year ended 31 December 2021, except for the application of new or amended standards and interpretations applicable to annual periods beginning on 1 January 2022 and later.

The amended standards and interpretations, which are applicable for the first time in 2022, do not have a significant impact on the Company's annual financial statements.

- Amendments to IFRS 1, IFRS 9, examples to IFRS 16, IAS 41

  - IFRS 1: additional exemption for the determination of cumulative exchange differences on consolidation;

  - IFRS 9: (1) in the 10% test to determine whether the modification should result in the removal of the liability, only fees that are exchanged between the debtor and the creditor should be included; (2) it was clarified that the fees incurred in the event of removal of the liability are

recognized in the result, and in the event that the liability is not removed, they should be charged to the value of the liability;

- IFRS 16: from example 13, the issue of an incentive from the lessor in the form of covering the costs of fit-outs incurred by the lessee has been removed

- IAS 41: the prohibition of including tax flows in the valuation of biological assets has been deleted.

- Amendment to IAS 16 "Property, plant and equipment"
  It was clarified that the production carried out as part of the tests of the fixed asset before the use of the fixed asset should be recognized as inventory in accordance with IAS 2 and revenue when sold.
- Amendment to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"
  It was clarified that contract fulfillment costs, which are part of the valuation of onerous contracts, include incremental costs (e.g. labor costs) and an allocated portion of other costs directly related to the cost of fulfillment, e.g. depreciation.
- Amendment to IFRS 3 "Business Combinations"
  References to the definition of liabilities included in the conceptual framework and the definition of contingent liabilities from IAS 37 have been clarified.
- Amendment to IFRS 16 "Leases"
  In 2020, the Council published simplifications for lessees receiving relief due to the COVID-19 pandemic. One of the conditions was that the reliefs would apply only to payments due by the end of June 2021. This date has now been postponed to June 2022.

The Company has not decided to early adopt any standard, interpretation or amendment that has been published but has not yet entered into force in the light of the provisions of the European Union.

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

- New IFRS 17 "Insurance Contracts" - applicable to annual periods beginning on 1 January 2023 - standard approved by the European Commission
  A new standard governing the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. The standard replaces the existing IFRS 4. In 2020, changes to the standard were published.
- Amendment to IFRS 4 "Insurance contracts" - amendment approved by the European Commission
  Extension of the exemption from the application of IFRS 9 until 2023.
- Amendment to IAS 1 "Presentation of financial statements" - for annual periods beginning on 1 January 2023, amendments not approved by the European Commission

  - The IAS Council clarified the rules for classifying liabilities as long-term or short-term mainly in two aspects:

a) it was clarified that the classification depends on the rights held by the entity as at the balance sheet date,

b) management's intentions to accelerate or delay payment of the liability are disregarded.

- Amendments to IAS 1: Presentation of financial statements - for annual periods beginning on 1 January 2023, amendments approved by the European Commission

  The IAS Council clarified which information regarding the accounting policy applied by the entity is significant and requires disclosure in the financial statements. The Principles focus on tailoring disclosures to the individual circumstances of the entity. The Board warns against the use of standardized provisions copied from IFRS and expects that the basis of valuation of financial instruments is material information.

- Amendment to IAS 8 "Accounting Principles (Policy), Changes in Accounting Estimates and Errors" - for annual periods beginning on 1 January 2023, amendments approved by the European Commission

  The Council introduced a definition of an accounting estimate into the standard: Accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty.

- Amendment to IAS 12 "Income Taxes - for annual periods beginning on 1 January 2023, amendments approved by the European Commission

  The Council introduced the principle that if a transaction results in both positive and negative temporary differences in the same amount, deferred tax assets and liabilities should be recognized even if the transaction does not result from a business combination and does not affect the accounting or tax result. This means the need to recognize deferred tax assets and provisions, e.g. when temporary differences in equal amounts occur in the case of leases (a separate temporary difference from the liability and right-of-use) or in the case of restoration liabilities. The principle that deferred tax assets and liabilities are offset if current tax assets and liabilities are offset has not been changed.

- Amendment to IFRS 17 "Insurance contracts" - for annual periods beginning on 1 January 2023, amendments approved by the European Commission

  The Council established transitional provisions on comparative data for entities that are simultaneously implementing IFRS 17 and IFRS 9 to reduce potential accounting mismatches resulting from differences between these standards.

- Amendment to IFRS 16 "Leases" - for annual periods beginning on 1 January 2024, amendments not approved by the European Commission

  The amendment clarifies the requirements for the valuation of a lease liability arising from a sale and leaseback transaction. It is intended to prevent incorrect recognition of the result on the

transaction in the part relating to the retained right of use in the event that lease payments are variable and do not depend on an index or rate.

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

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

2.1.4.FUNCTIONAL AND PRESENTATION CURRENCY ROUNDINGS

The functional currency and the presentation currency of these separate financial statements is Polish zloty, and all amounts are rounded to full zlotys (unless indicated otherwise).

2.1.5.JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with UE IFRSs requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are made based on historical experience and other factors accepted as reasonable in given circumstances, and the results of estimates and judgements are a basis for the determination of the carrying value of assets and liabilities not resulting directly from other sources. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Impairment of assets

Judgment is required to analyze the premises for impairment and conduct tests. In this context, in particular, the feasibility of budgets and the impact of the Covid-19 pandemic on the Company's operations were analyzed. As a consequence of these premises, the Company conducted tests for the loss of goodwill and other assets. This required estimating the recoverable value in use of the cash-generating units to which the goodwill and trademarks are allocated. Estimating the value in use consists in determining the future cash flows generated by the cash-generating unit and requires determining the discount rate to be applied in order to calculate the present value of these flows. The assumptions made for that purpose are presented in Note 5.

Impairment of trade receivables

In the current period, estimates of expected credit losses ("ECL") were updated in case of trade receivables. Details are included in Note 36.

Revenue and cost recognition due to sale of goods

The application of IFRS 15 requires the Company to make subjective judgments and estimates that significantly affect the determination of the amount and timing of revenue recognition.
If the remuneration specified in the contract includes a variable amount, the Company estimates the amount of remuneration to which it will be entitled in exchange for the delivery of the promised goods or services to the customer. Details in pt. 2.2.27.
The estimated amounts of bonuses due to customers under distribution agreements are recognized on an ongoing basis in the Company's result at the time of sale of goods by reducing the transaction price (income).
The company, when buying goods from suppliers, is entitled to the so-called retrorabates, in accordance with signed trade agreements. The Company regularly estimates the discount due to it and adjusts the value of inventories at the time of purchasing the goods. Consequently, this discount corrects the cost of sale at the time of sale of the goods.

Leasing - recognition of the lessee

The application of IFRS 16 requires the Company to exercise various types of judgment, including determining which contracts fit into the lease definition, what parameters should be used to measure the lease liability and whether there are indications of the need to reassess the lease term or the discount rate.
The company has the option, under some lease agreements, to extend the term of the asset lease. After the commencement date, the Company periodically assesses the lease term and, in the event of a significant event or change in circumstances under its control, that affect its ability to exercise (or not exercise) the extension option (e.g. change in business strategy), it makes appropriate changes to the treatment of the contract.
The Company makes similar assessments for contracts concluded for an indefinite period.

Classification of liabilities due to reverse factoring

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

- payment terms to suppliers,

- the size, timing and nature of future cash flows
- trade credit financing costs

The average payment terms throughout 2022 for individual groups of suppliers were as follows: (1) suppliers outside factoring programs - 43 days (in 2022: 43 days), (2) suppliers in factoring programs - 57 days (in 2021 64 days) . As a rule, suppliers of alcohol, tobacco and other long-term shelf-life products participate in factoring programmes. Only about 5% of the turnover realized with the help of factoring programs concerns suppliers of fresh and perishable products. The collateral provided to the factors takes the form of: promissory notes, powers of attorney to the bank account, statements on submission to enforcement and sureties of the Group companies. The protections are comparable to the protections provided to suppliers.

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

Depreciation rates

The Company considers “Eurocash” and “Duży Ben” trademarks as recognizable on the market and intends to use them for a long time. According to these assumptions the Company states that the economic useful life of the above mentioned trademarks is indefinite and they are not amortized. The “Eurocash” and “Duży Ben” trademarks are subject to impairment testing each year.

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

Tradis customer relations

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

Split Payment

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

Deferred tax asset

The Company recognizes a deferred tax asset based on the assumption that a tax profit will be generated in the future that will allow for its use. Deterioration of the tax results obtained in the future could make this assumption unjustified.

The Company carefully assesses the nature and extent of evidence supporting the conclusion that it is probable that future taxable income will be sufficient to deduct from it unused tax losses, unused tax credits or other negative temporary differences.

Court cases and disputes

Determining the amount of the provision for court cases requires judgment as to whether the Company is obliged to provide benefits. In estimating whether it is more likely than not that an outflow of economic benefits will occur, the Company followed the professional judgment of legal advisers. Note 36.

2.1.6.COMPARABILITY OF FINANCIAL STATEMENTS

The accounting principles and calculation methods used in the preparation of these annual separate financial statements have not changed compared to those used in the last annual separate financial statements for the financial year ending 31 December 2021, except for the application of new or amended standards and interpretations applicable to annual periods beginning on 1 January 2022 and later.

2.1.7.GOING CONCERN ASSUMPTION

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

A. Macroeconomic situation

The year 2022 in the Polish economy is a continuation of upward inflation trends. As at 31.12.2021 the inflation amounted to 8.6% y/y, while as at 31.12.2022 the annual price index increased to 16.6% (CPI). On the same day, food price inflation amounted to 21.5% and core inflation to 11.5%.

The annual GDP growth rate in y/y terms, after initial increases in Q1 2022 to 8.5%, decreased the growth dynamics in subsequent periods to 5.5% in Q2, 3.6% in Q3 to the level of 2.1 % in Q4 2022.

Despite the inflow of Ukrainian citizens, we are dealing with a situation of continued improvement on the labor market. The unemployment rate has decreased from 5.5% to 5.2% since January 2022 (recorded in December 2022) and, according to Eurostat data, the decrease in unemployment is combined with an increase in labor productivity.

The situation throughout 2022, despite the above-mentioned tensions, had a positive impact on the FMCG market in Poland. Consumption was growing with a simultaneous increase in both operating

costs (costs of wages, fuel and energy) and financial expenses. Macroeconomic conditions did not have a significant negative impact on the Group's situation in the reporting period.

The Management Board believes that the macroeconomic situation is influenced primarily by the global effects related to the war in Ukraine and potential risks resulting from the possible recurrence of the Covid-19 pandemic. Among these factors, the Management Board pays particular attention to risks related to the widely expected increase in energy prices, volatility in the capital and commodity markets and an increase in interest rates. The Management Board believes that the trends on the labor market are conducive to the Group's operations, and potential risks are monitored on an ongoing basis.

B. Economic and balance sheet situation of the Company in 2022

In 2022, Eurocash recorded a positive trend in sales growth and EBIT and EBITDA results.

In 2022, compared to the previous year, Eurocash achieved an increase in sales of goods at the level of 15.8% and an increase in EBITDA by PLN 53,7 million (10%)

The latest forecast for the following quarters indicates a continuation of the upward trend at the sales level and at the EBITDA level.

Throughout 2022, the Company generated cash from operating activities in the amount of PLN 560.1 million, while in the previous year the Company's cash flows from operating activities amounted to PLN 515.6 million.

As at 31 December 2022, there was a surplus of current liabilities over its current assets in the amount of PLN 2,02 billion, which, in the opinion of the Management Board, is typical for the industry in which the Company operates, in which a significant part of sales is made on cash terms, inventories are minimized and suppliers provide deferred payment terms, while the Company also uses reverse factoring, receivables factoring and short-term bank loans to finance working capital. The Company's net working capital (including inventories, trade receivables and trade payables) was negative and amounted to PLN -956 million as at 31 December 2022, compared to PLN -894 million as at 31 December 2021 . In 2022, a profit on sales of approximately PLN 266 million was recorded, which was PLN 87 million higher than in the previous year.

C. Financial instruments used in the Group in 2022

Note 35 to the consolidated financial statements of the Group as at 31 December 2022, in which Eurocash is the parent company, presents, among others: instruments used to finance both operational and investment activities. These include: bonds, bank loans, reverse factoring, receivables factoring and leasing. In 2022, the value of these instruments changed as follows:

- Available bank credit limits were reduced by PLN 145 million from PLN 1,359 million available as at 31 December 2021 to PLN 1,214 million as at 31 December 2022. The decrease results from: (1) repayment schedule of investment loans, (2) repayment of a working capital loan in the amount of PLN 75 million, (3) reduction of the loan amount in Eurocash Serwis (with a liquidity surplus) by PLN 25 million. As at the balance sheet date, 31 December 2022, the Group had unused credit limits in the amount of PLN 551 million, while as at 31 December 2021, this

amount was PLN 563 million. In the opinion of the Management Board, the level of available lines is sufficient to continue operations.

- As at the balance sheet date, 31 December 2022, the Group financed its operations using reverse factoring in the amount of PLN 1,156 million, while as at 31 December 2021, the amount was PLN 1,780 million. The decrease in the use resulted from the reduction of limits that took place in 2021 and in 2022. The use of the reverse factoring line in both reporting periods is at a very high level, which proves the attractiveness of this instrument both for the Group and its suppliers.
- As regards factoring of receivables, the Group increased the available limits between 31 December 2021 and 31 December 2022 by PLN 200 million from PLN 325 million to PLN 525 million, while the use of this instrument increased from PLN 208 million to PLN 344 million. In the opinion of the Management Board, factoring of receivables provides protection against the risk of a potential future liquidity gap.
- As at 31 December 2022, the Group companies had active lease agreements that would have been recognized in the statement of financial position as a liability even before the implementation of IFRS 16, with a total exposure of PLN 35.9 million (as at 31 December 2021 it was PLN 31.8 million PLN), of which PLN 26.0 million concerned only Frisco S.A. The additional impact from the implementation of IFRS 16 resulting from lease agreements and lease agreements with entities other than financial institutions amounts to PLN 2.05 billion. The total amount of the Group's lease liabilities is PLN 2.09 billion.

The value of bonds issued in 2022 has not changed. The first issue in the amount of PLN 125 million under the bond issue program established on 18 November 2020 in cooperation with BNP Paribas Bank Polska S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Santander Bank Polska S.A. took place on 23 December 2020. The program enables multiple issues of bonds in accordance with the bond issue conditions set for each series, up to the maximum total amount of all issues of PLN 1,000,000,000. The issue found demand among a wide range of investors and was made public by listing it on the ASO (Catalyst) market on the Warsaw Stock Exchange.

Limits	31.12.2022	31.12.2021	31.12.2020
Bonds (program)	1 000	1 000	1 000
Bank credits	1 214	1 359	1 252
Bankguarantees	263	281	230
Receivables factoring	525	325	325
Reveerse factoring	1 523	1 915	2 157

Use	31.12.2022	31.12.2021	31.12.2020
Bonds (issue)	125	125	125
Bank credits	661	796	681
Bankguarantees	200	216	217
Receivables factoring	344	209	169
Reveerse factoring	1 156	1 780	1 796

% Wykorzystania	31.12.2022	31.12.2021	31.12.2020
Bonds	13%	13%	13%
Bank credits	54%	59%	54%
Bank guarantees	76%	77%	94%
Receivables factoring	66%	64%	45%
Reveerse factoring	76%	93%	83%

Conditions precedent related to financial agreements are monitored on an ongoing basis and as at 31 December 2022 they were not breached.

D. Financing activities in subsequent periods

The financial plans prepared by the Management Board for 2023 and the next four years indicate that the Group will maintain liquidity and pay its liabilities on an ongoing basis. Nevertheless, the Group has a specific portfolio of financing instruments, the revision of which is necessary in order to extend the maturity period.

The Group launched a project to refinance a syndicated revolving loan (RCF) and bilateral loans. The Management Board selected an external financial advisor and started talks with banks aimed at obtaining a 5-year loan. The Group estimated its external financing needs in the total amount of PLN 1.3 billion, including an amortized loan, a revolving loan and an overdraft facility. In the opinion of the Management Board, this method of combining business financing instruments meets the needs of companies operating in the FMCG industry.

Reverse factoring lines by maturity as at 31.12.2022

As at 31.12.2022 mln PLN	1Q 2023	2Q 2023	3Q 2023	4Q 2023	2024	Indefinite	Total
Factoring limits	0	0	880	100	75	468	1 523
Use	0	0	643	75	73	365	1 156

Eurocash Group plans to extend all factoring lines and intends to increase the availability of new limits with both current and new factors.

Trade liabilities vs. factoring liabilities

As at 31.12.2022 mln PLN	31.12.2022	31.12.2021	31.12.2022
Trade receivables	4 114	3 854	3 720
Receivables due to reverse factoring	1 156	1 780	1 814

The Group analyzed the timeliness of settling its trade liabilities. Details are included in Note 35. The Group plans to continue its balance sheet policy in which working capital plays an important role in financing operating activities.

In 2022, despite the reduction of available reverse factoring limits, a scenario took place in which the negative effect of reducing factoring limits was offset thanks to negotiations with suppliers of goods and services, which translated into an increase in the level of consolidated trade liabilities to PLN 4,114 million.

E. Liquidity forecast

The implementation of liquidity forecasts prepared by the Group for the entire year 2022 in cooperation with an independent expert confirmed their accuracy in terms of estimated amounts of financial debt and in terms of risk assessment. The financial plan for the next four quarters assumes maintaining or even increasing the availability of trade credit limits from suppliers while maintaining the current limits in financing instruments provided by the banking sector.

The Management Board of the Group decided to continue cooperation with an external advisor and together with him a liquidity model for the entire Group was developed, on the basis of which the Group's going concern can be periodically assessed. The following input data was used to prepare the liquidity forecast:

- Macroeconomic forecasts prepared on the basis of analyzes of the National Bank of Poland and other market analysts,
- Budget forecasts prepared by individual business units,
- Capital expenditure forecasts,

- Historical use and availability of funding instruments,
- Historical and projected DPO, DSO and DIO for main units (DPO for companies and other consolidated ratios),
- The value of Back Rebates from suppliers,
- Historical values of taxes paid and a forecast of the amount of payments in the future,
- The model assumes that the currently available financing lines will be maintained as at the date of this note.

The net debt forecast indicates a standard seasonality related to sales values in particular seasons. The highest sales in the 3rd and 4th quarter generate the most cash. There is also a downward trend in the level of debt, which is a direct result of budgeted increases in sales and maintaining profitability. In each of the budgeted periods, the financial ratios are below the bank covenants required in the contracts. The analysis indicates the availability of each form of financing in each of the future periods, while the model assumes the maximum use of factoring to leave free funds for repayment of financial debt. The use of credit lines differs from net debt by the amount of finance lease, which traditionally (before the change resulting from the IFRS16 regulations) was and is recognized in this item. The amount of the bonds incurred is net debt offset by the amount of free cash.
The Management Board conducted scenario analyzes of the presented model. The stress affected (1) consumer prices and their impact on the Group's sales, profits and costs, (2) the availability of credit limits, (3) the availability of reverse factoring limits and (4) the level of interest rates.
Based on the analysis, the Management Board concluded that the Group has sufficient sources of financing and there is no significant uncertainty as to its going concern.

F. Conclusions

As already mentioned in this note, the Management Board started talks with financial institutions, domestic and foreign, on the subject of refinancing and building a long-term structure of the Group's financial debt. The Management Board sees no indications that the assumed limits in financial instruments could not be obtained from existing and new lenders.
Operating activities, reflected in the Group's financial results, significantly improved in 2022 compared to 2021. Forecasts for the following quarters also indicate the continuation of the upward trend in each operating segment.
This effect is visible not only at the level of the Group's operating result (EBITDA), but also in much higher sales than last year, and thus - better generation of cash. The Group has stable financing, but also has adequate reserves to respond to unforeseen macroeconomic changes.
It is also worth noting that in 2022 the Group strengthened its leading position on the wholesale market: in terms of products without EAN codes, this share increased by 0.45 pp to 22.7%, and excluding such products, the share increased by 0.22 pp to 28.3% compared to 2021.

The key role of the Group for independent stores in Poland and the market shares in the sales of individual suppliers cause that they (especially large-scale suppliers) show far-reaching loyalty and the Management Board considers that long-term cooperation with them is not at risk.

After analyzing the described financial situation of the Eurocash Group and the facts listed above, the Management Board declares that it sees no threat to the continuation of operations in the next 12 months.

2.2. APPLIED ACCOUNTING POLICIES

2.2.1. ACCOUNTING POLICIES

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

- derivative financial instruments measured at fair value

The most significant accounting policies applied by Eurocash S.A. are presented in points 2.2.2 through 2.2.36.

2.2.2. FINANCIAL YEAR

Financial year of Eurocash S.A. is a calendar year.

2.2.3. FORMAT AND CONTENT OF SEPARATE FINANCIAL STATEMENTS

In particular, the separate financial statements consist of:

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

2.2.4. FOREIGN CURRENCY TRANSACTIONS

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

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

the foreign currency translated at the average exchange rate published by the National Bank of Poland as at the end of the reporting period.

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

	31.12.2022	31.12.2021
EUR	4,6899	4,5994

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

2.2.5.INTANGIBLE ASSETS

Definition

Intangible assets include identifiable non-cash assets acquired by the Company which do not have a physical form, intended for use by the Company. The component of intangible assets is recognized when it is probable that the company will achieve future economic benefits which can be assigned to a given component and when the purchase price or the cost of production of a given asset can be reliably determined.

The intangible assets of the Company include:

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

Initial measurement of goodwill

Goodwill on acquisition of an entity is initially recognized at the purchase price being the amount of the excess of the sum of payment transferred and the amount of any non-controlling interest in the acquired entity and in case of a business combination being carried out in levels of fair value as at the date of acquisition of the interest in the acquired entity previously belonging to the acquiring entity over net fair value determined as at the date of acquisition of the identifiable assets acquired, liabilities assumed and contingent liabilities assumed.

Transactions relating to the merger of entities under common control are settled using the pooling method.

It means that the individual components of the balance sheet are presented according to the book values from the consolidated financial statements of the Eurocash Capital Group

Further recognition of goodwill

After initial recognition, goodwill is recognized at purchase price minus any accumulated impairment losses. The impairment test is carried out once a year or more frequently if there are indications to do it. Goodwill is not depreciated.

As at the acquisition date, the acquired goodwill is allocated to each of the cash-generating units that may benefit from the combination synergy. Each center or group of centers to which goodwill has been assigned:

- corresponds to the lowest level in the Company at which goodwill is monitored for internal management needs, and
- is not greater than one operating segment determined in accordance with IFRS 8 Operating segments.

An impairment is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill has been allocated. If the recoverable value of the cash-generating unit is lower than the carrying amount, an impairment is recognized. If goodwill is part of a cash-generating unit and a part of the business is sold within this center, when determining the profit or loss on the sale of such business, goodwill related to the business sold is included in its carrying amount. In such circumstances, the goodwill sold is determined based on the relative value of the operations sold and the value of the portion of the cash-generating unit retained.

Initial measurement of intangible assets

The initial value of intangible assets is the acquisition price, which includes the amount payable to the seller and other expenditure directly attributable to acquiring these intangible assets.

Amortization

Amortization of intangible assets is calculated for all intangible assets, excluding goodwill and intangible assets with an indefinite useful life. While determining the useful life, the period of generating economic benefits is taken into consideration. If it is difficult to determine the reasonable economic useful life or there is no certainty of any expected measurable benefits, intangible assets should be recognized in profit or loss for the period.

The following amortization rates are adopted for intangible assets:

licenses – software	33.3%
copyrights	20%
trademarks	5% - 10%
know-how	10%
other intangible assets	20%
customer relations	5%

Review of amortization rates and possible impairment

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

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

Intangible assets with indefinite useful lives and unspecified goodwill are tested for impairment by comparing the carrying value of the specified item against its recoverable amount or the test covers the entire CGU to which this component is assigned, regardless of any impairment indication.

Measurement of intangible assets as at the reporting date

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

2.2.6.PROPERTY, PLANT AND EQUIPMENT

Definition

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

Property, plant and equipment shall include in particular:

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

Initial measurement of tangible fixed assets

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

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

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

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

Subsequent expenditures

Subsequent expenditures on replacement parts of an item of property, plant and equipment are capitalized if they can be estimated reliably and it is probable that the future economic benefits associated with the part will be effectively gained by the Company. The carrying amount of the removed parts of the respective asset is derecognized. Expenditures on day-to-day maintenance of property, plant and equipment are recognized as a costs of goods sold for the period in which they were incurred. Each component of property, plant and equipment items whose acquisition price is material in comparison with the purchase price of the entire item is depreciated separately.

Depreciation

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

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

- buildings and structures 2.5% - 4.5%
- investments in third party property, plant, and equipment since 7,7%
- plant and machinery 10% - 60%
- vehicles 14% - 20%
- other tangible fixed assets 20%

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

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

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

Review of depreciation rates and impairment

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

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

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

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

Measurement of property, plant and equipment as at the end of the reporting period

Tangible fixed assets are recognized in the books at purchase price or production cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment under construction relate to tangible assets under construction or assembly and are stated at purchase price or production cost, less impairment losses, if any. Fixed assets under construction are not subject to depreciation until the construction is completed and the fixed asset is handed over for use.

For specific assets, the production cost is increased by external financing costs, capitalized in accordance with the principles set out in the accounting principles set out in point 2.2.9.

Stocktaking of tangible fixed assets

Stocktaking of tangible fixed assets is performed every four years.

2.2.7.LEASE

At the time of concluding the contract, the company assesses whether the contract is a lease or includes a lease. An agreement is a lease or contains a lease if it transfers the right to control the use of an identified asset for a given period in return for consideration.

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

2.2.8.ASSETS DUE TO RIGHT OF USE

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

2.2.9.BORROWING COSTS

Borrowing costs that are directly attributable to acquisition or production of adapted assets are added to the production costs of such tangible fixed assets until the latter are put to use. These costs are reduced by gains resulting from temporary investment of funds obtained for manufacturing the specified asset.

Borrowing costs include interest and other costs incurred by the Company due to borrowing.

Any other costs of third party financing are carried directly to profit or loss in the period in which they occurred.

2.2.10. INVESTMENT PROPERTIES

Investment properties are properties held as a source of income from rent and/or for the anticipated increase of value.
Investment property items are initially measured at acquisition price or production cost, after transaction closing costs. As at the reporting date, investment property is measured at the acquisition price or production cost less accumulated depreciation and any accumulated impairment losses, calculated according to the rules applicable to tangible fixed assets.

2.2.11. SHARES IN SUBSIDIARIES

Shares are measured at acquisition prices. In the event of impairment, not later than as at the reporting date, impairment is written off the value of shares.
If there is evidence of impairment in respect of investments in subsidiaries, the Company performs tests for impairment.
When determining the value in use, the Company takes into account the cash flows generated by the assets and liabilities held by subsidiaries.

2.2.12. LONG-TERM RECEIVABLES

Long-term receivables comprise receivables due within more than 1 year of the end of the reporting period.
The part of long-term receivables which fall due within one year after the end of the reporting period is presented as current receivables.
Long-term receivables are mostly deposits paid for long-term site rental contracts, bank guarantees as well as prepayments for tangible fixed assets.

2.2.13. LONG-TERM PREPAYMENTS

Long-term prepayments include the long-term part of, among others, the following items:

- prepaid subscription, insurance,
- alcohol permits,
- prepaid other services (eg commissions, insurance)

At each reporting date, an analysis of long-term accruals is made.
The assessment is made by the Company, taking into account rational premises and knowledge about individual settlement components.

2.2.14. NON-CURRENT ASSETS AND ASSET GROUPS HELD FOR SALE

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

The Company classifies a non-current asset or disposal group as held for sale when its carrying amount is to be recovered principally through a sale transaction rather than through its continued use.

This situation takes place if the following conditions are fulfilled:

- the asset (or disposal group) is available for immediate sale as is, under normal and customary terms of sales of such types of assets (or disposal groups), and its sale is very probable;
- there must be a commitment to fulfill the plan to sell the asset (or disposal group) taken by an appropriate level of management;
- a proactive plan to find a buyer and fulfill the plan has been initiated
- the asset (or disposal group) must be actively marketed at a price that is reasonable in relation to the asset's current fair value
- sale will be presented as closed within one year of the classification of assets or a disposal Company as held for sale and activities required to fulfill the plan indicate that significant changes to the plan or abandonment of the plan in the future is unlikely.

Intangible and tangible fixed assets classified as assets for sale or issue are not amortized.

2.2.15. INVENTORIES

Inventories of the Company include:

- Merchandise acquired and held for resale in the ordinary course of business,
- Materials or supplies purchased to be consumed for own use.

Rules of determination of purchase price

Acquisition cost comprises all purchase costs and other costs incurred in order to bring inventories to their current location and condition.

Purchase costs comprise the actual purchase price, import duties, other non-deductible taxes, costs of transport, loading and unloading, and other costs directly attributable to merchandise.

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

Purchase prices are determined using the weighted average method. Under the weighted average, the purchase price or production cost of each item is calculated on the basis of the weighted average of purchase prices or production costs of similar items at the start of the period and the purchase prices or costs of similar items purchased or produced during the period. The weighted average is converted when goods are taken to the warehouse.

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

Measurement of inventories as at balance sheet date

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

The Company writes down the value of inventories to the net value possible to recover from the following premises:

- loss of functional quality of inventories (damage, obsolete, etc.),
- a level of inventories exceeding the demand and selling possibilities by the Company,
- low turnover of inventories,
- loss of market value caused by sales prices of inventories falling below their carrying amounts.

If the value determined at acquisition cost is higher than the net selling price as at the reporting date, the inventories are written down to the value of their selling prices by making the write down.

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

2.2.16. NON-DERIVATIVE FINANCIAL INSTRUMENTS

CLASSIFICATION OF FINANCIAL ASSETS

Valuation for the moment of initial recognition

Financial assets are classified into the following valuation categories:

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

Valuation at the moment of initial recognition

On initial recognition, an entity values a financial asset at its fair value, which for financial assets not at fair value through profit or loss is increased by transaction costs that can be directly attributed to the acquisition of those financial assets.

Discontinuation of recognition

The Company ceases to recognize a financial asset in the statement of financial position in the event of the expiry of the rights to receive economic benefits and bear the related risks or their transfer that meets the conditions for exclusion to third parties.

Valuation after initial recognition

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

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

Debt instruments - financial assets at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:

(a) the financial asset is held in accordance with the business model, the purpose of which is to maintain financial assets for obtaining cash flows arising from the contract, and

(b) the contractual terms relating to a financial asset cause cash flows to occur at specified times, which are only repayment of the principal and interest on the principal outstanding.

In the category of financial assets measured at amortized cost, the Company classifies:

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

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

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

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is maintained in accordance with the business model, which is aimed both at receiving cash flows resulting from the agreement and the sale of financial assets;
  and
- the contractual terms relating to a financial asset cause cash flows to occur at specified times, which are only repayment of the principal and interest on the principal outstanding.

Interest income, foreign exchange differences and impairment gains and losses are recognized in profit or loss and calculated in the same way as financial assets measured at amortized cost. Other changes in fair value are recognized in other comprehensive income. Upon cessation of the recognition of a financial asset, the total profit or loss previously recognized in other comprehensive income is reclassified from equity to the financial result.

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

In the category of debt instruments measured at fair value through other comprehensive income, the Company qualifies loans that arise from financing needs in the Group.

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

At the moment of initial recognition, the Company may make an irrevocable choice regarding the recognition in other comprehensive income of subsequent changes in the fair value of investments in an equity instrument that is not intended for trading or is a conditional consideration recognized by the acquirer in the merger of entities to which IFRS 3 applies This choice is made separately for each equity instrument. Accumulated profits or losses previously recognized in other comprehensive income are not reclassified to profit or loss. Dividends are recognized in the profit and loss account when the entity's right to receive dividends is established, unless these dividends clearly represent the recovery of part of the investment costs.

In the category of equity instruments measured at fair value through other comprehensive income, the Company qualifies shares in other entities, purchased options, warrants.

Financial assets at fair value through profit or loss

A financial asset that does not meet the measurement criteria at amortized cost or at fair value through other comprehensive income is measured at fair value through profit or loss.

The gain or loss on the valuation of debt investments at fair value is recognized in profit or loss.

Dividends are recognized in the profit and loss account when the entity's right to receive dividends arises.

In the category of equity instruments measured at fair value through the financial result, the Company qualifies shares of other entities.

Financial liabilities

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

a) financial liabilities designated as at fair value through profit or loss,
b) financial liabilities recognized as a result of reclassification of financial assets that are not qualified to be derecognized,

c) financial guarantees contracts,
d) obligations to grant low-interest or interest-free loans,
e) contingent payment recognized by the acquirer in a business merger to which IFRS applies.

Offsetting financial assets and financial liabilities

In a situation where the Company:

- has a valid legal title to offset the amounts recognized, and
- intends to settle in a net amount or simultaneously realize an asset and settle an obligation

the financial asset and financial liability are offset and disclosed in the statement of financial position at net amount.

2.2.17. DERIVATIVES

The Company uses derivative financial instruments to hedge against interest rate risk.
Derivative financial instruments are initially recognized at fair value; the related transaction costs are recognized in the profit and loss account when incurred. After initial recognition, the Company measures derivative financial instruments at fair value, gains and losses resulting from changes in fair value are recognized as follows.

Hedge accounting

Hedge accounting is used to reflect the principles of risk hedging applied by the Company in accounting terms, and in particular to symmetrically recognize in the profit and loss account the offsetting changes in cash flows of the hedging instrument and the hedged item.
For the purposes of hedge accounting, the Company designates hedging instruments so that the change in their cash flows covers all or part of the change in future cash flows of the hedged item.
The Company applies hedge accounting if all of the following conditions specified in IFRS 9 are met:

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

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

Cash flow hedge accounting

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

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

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

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

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

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

Discontinuation of the use of hedge accounting

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

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

Other non-trading derivatives

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

2.2.18. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables

Trade receivables comprise receivables resulting from realized supplies or rendered services, due within 12 months.

Other short-term receivables

Other short-term receivables comprise receivables due within 12 months of the reporting date, excluding trade receivables.

Measurement of trade receivables and other receivables as at the end of the reporting period

In the case of trade receivables, the Company applies a simplified approach and measures the write-down for expected credit losses in the amount equal to expected credit losses over the whole life using the reserve matrix. The Company uses its historical data on credit losses, adjusted, where applicable, for the impact of future information.

The Company assesses the probability of payment of receivables by counterparties from the beginning of their creation. If receivables whose repayment by buyers is threatened or whose enforcement may cause difficulties are disclosed, they are updated by making a write-down in the profit and loss account.

Bad debts allowances

The Company applies the expected credit loss model.

When assessing impairment, the Company uses historical trends to estimate the probability of arrears and the timing of payment as well as the value of losses incurred, adjusted for the estimates of the Management Board assessing whether the current economic and credit conditions indicate that the actual level of losses should be significantly different from the level of losses resulting from historical assessments trends. Details are provided in point 2.2.21.

In addition, write-downs on receivables are created for:

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

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

The Company also creates provisions for expected credit losses due to granted loan guarantees.

Write-downs of the value of receivables are charged to other operating costs, and if they concern interest - to financial costs.

The Company uses the expected credit loss model

Valuation at the end of the reporting period of receivables expressed in foreign currencies

Receivables denominated in foreign currencies are valued at least as at the reporting date, using the NBP exchange rate as at the balance sheet date.

Exchange differences on receivables denominated in foreign currencies, arising as at the date of their valuation, are included in financial revenues or costs, respectively.

2.2.19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at hand and in bank accounts as well as bank deposits payable on demand, other safe short-term investments with an original maturity of up to three months from the

date of their establishment, receipt, acquisition or issue and high liquidity. Cash and cash equivalents also include interest on cash equivalents.

2.2.20. SHORT-TERM PREPAYMENTS

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

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

At each reporting date, an analysis of short-term accruals is made.
The assessment is made by the Company, taking into account rational premises and knowledge about individual settlement components.

2.2.21. IMPAIRMENT

Financial assets (including receivables)
The Company assesses the expected credit losses related to debt instruments carried at amortized cost and fair value through other comprehensive income, irrespective of whether there is any indication of impairment.

The factors determining the impairment of financial assets (including equity instruments) are included:

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

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

Non-financial assets
The carrying amounts of non-financial assets other than investment property, inventories and deferred tax assets, are reviewed as at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated by the Company. The recoverable amount of assets or cash-generating units, intangible assets with an indefinite useful life, and intangible assets that are not yet fit for use is estimated at the end of each financial year.

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

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

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

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

An impairment loss is recognized when the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are presented first as reduction of the carrying amount of any goodwill allocated to the units (group of units) and then as reduction of the carrying amounts of other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the impairment has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.2.22. EQUITY

Ordinary shares

Ordinary shares are classified as equity.

Repurchase of shares

In the case of purchase of treasury shares, the amount of the consideration paid, which includes directly attributable costs net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as a separate item of shareholders' equity with a minus sign. When treasury shares are sold or reissued subsequently, the amounts received are recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

Funds are reserved for repurchase of treasury shares based on a resolution adopted by the Shareholders' Meeting and presented in equity as separate capital reserves.

2.2.23. LONG-TERM LIABILITIES

Long-term liabilities comprise liabilities due to be settled after 12 months from the end of the reporting period.

Long-term liabilities include mainly:

- loans and borrowings
- finance lease liabilities
- deposits from subtenants of wholesale surfaces
- liabilities due to the issue of bonds

Measurement of long-term liabilities

At as the end of the reporting period, long-term liabilities are measured at amortized cost using the effective interest rate method.

Measurement of long-term liabilities denominated in foreign currency as at the reporting date

Foreign currency liabilities are measured at least as at the end of the reporting period using the spot exchange rate.

Foreign currency gains and losses concerning foreign currency long-term liabilities and occurring as at the measurement date are recognized as financial incomes or costs accordingly.

2.2.24. SHORT-TERM LIABILITIES

Short-term liabilities comprise liabilities due to be settled within 12 months from the end of reporting period (not applicable to trade payables).

Short-term liabilities include in particular:

- loans and borrowings payable,
- finance lease liabilities,
- trade payables,
- taxation, social security and other benefits payable,
- payroll payables,
- liabilities due to financing of franchisees.

As part of trade payables, the Group presents liabilities covered by reverse leasing.

Measurement of short-term liabilities denominated in a foreign currency as at the reporting date

Foreign currency liabilities are measured at least as at the end of the reporting period using the spot exchange rate.

Foreign currency gains and losses concerning foreign currency short-term liabilities, occurring as at the date of their valuation, should be recognized as financial incomes or expenses accordingly.

2.2.25. LOANS AND BORROWINGS

The Company initially recognizes bank and other loans and debt securities at fair value of cash received less any borrowing costs.

Subsequent to initial recognition, loans and debt securities are measured at amortized cost using the effective interest rate.

2.2.26. PROVISIONS

Provisions are recognized if, as a result of past events, the Company has a present obligation (under the law or custom) that can be estimated reliably, and it is likely that an outflow of economic benefits will be required to settle the obligation.
Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and risks specific to the liability.
Provisions may be disbursed according to the time flow or the value of the related services. The time and method of settlement should be adequate to the nature of expenses in line with the precautionary principle.
Provisions reduce the expenses of the reporting period in which it was confirmed that the liabilities had not arisen.

2.2.27. SALES

The Company applies IFRS 15 Revenue from contracts with clients to all contracts with clients, with the exception of leasing agreements covered by the scope of IFRS 16 Leases, financial instruments and other contractual rights and obligations falling within the scope of IFRS 9 Financial Instruments, IFRS 1 Consolidated Financial Statements, IFRS 11 Joint Findings contractual, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures.
The basic principle of IFRS 15 is the recognition of revenues at the moment of the transfer of goods and services to the client, in a value reflecting the price expected by the entity, in exchange for the transfer of goods and services.
These rules are applied using the five-step model:

- a contract with the client has been identified,
- commitments to perform the service under the contract with the client have been identified,
- the transaction price was determined,
- the transaction price was allocated to individual liabilities and performance of the service,
- revenues are recognized when the contractual obligation is fulfilled.

Identification of the contract with the client

The Company recognizes the contract with the client only if all of the following criteria are met:

- the parties to the contract have entered into a contract (in writing, or in accordance with other usual commercial practices) and are required to perform their duties,
- the Company is able to identify the rights of each party regarding the goods or services to be transferred,
- the Company is able to identify the payment terms for goods or services to be transferred,
- the contract has economic content (i.e. it can be expected that the contract will change the risk, the time schedule or the amount of future cash flows of the entity),
- it is probable that the Company will receive a remuneration which it will be entitled to in exchange for goods or services that will be transferred to the client.

When assessing whether the receipt of the amount of remuneration is probable, the Company only considers the ability and intention to pay the amount of remuneration by the client in a timely manner. The amount of remuneration that will be due to the Company may be lower than the price specified in

the contract if the remuneration is variable, because the entity may offer the customer a price concession.

Determining the transaction price

In order to determine the transaction price, the Company takes into account the terms of the contract and the usual commercial practices. The transaction price is the amount of remuneration which, in line with the Company's expectations, will be payable in exchange for the transfer of promised goods or services to the client, with the exception of amounts collected on behalf of third parties (eg certain sales taxes). The remuneration specified in the contract with the client may include fixed amounts, variable amounts or both types of amounts.

Variable remuneration

If the remuneration specified in the contract includes a variable amount, the Company estimates the amount of remuneration to which it will be entitled in exchange for the transfer of the promised goods or services to the client. The Company estimates the amount of variable remuneration using one of the following methods, depending on the type of contract:

- expected value - the sum of the products of the possible remuneration amounts and the corresponding probabilities of occurrence. The expected value may be an appropriate estimate of the amount of variable remuneration if the Company has a large number of similar contracts,
- the most probable value - it is the single most probable amount from the range of possible remuneration amounts (ie the single most probable outcome of the contract). The most likely value may be an appropriate estimate of the amount of variable remuneration if the contract has only two possible outcomes (eg the Company either earns a performance bonus or not).

Assigning the transaction price to the obligations to perform the service

The Company assigns a transaction price to each obligation to provide the service (or a separate good or separate service) in an amount that reflects the amount of remuneration which, as expected by the Company, is due in exchange for the transfer of promised days and services to the client.

Fulfilling obligations to perform the service

The Company recognizes revenue when it meets (or in the course of fulfilling) the obligation to perform the service by transferring the promised good or services to the client.

Remuneration of the principal and remuneration of the intermediary

If another entity is involved in providing goods or services to the customer, the Company determines whether the nature of the Company's promise is an obligation to provide certain goods or services (in this case the Company is the principal) or on behalf of another entity to provide these goods or services (in this case the Company is an intermediary).

The Company is the principal if it exercises control over the promised good or service prior to their commandment to the client. However, an entity does not have to act as principal if it obtains a legal title to the product only temporarily before it is transferred to the customer. An entity appearing in the contract as the principal may itself fulfill the obligation to perform the service or may entrust the fulfillment of this obligation or part thereof to another entity (eg subcontractor) on its behalf. In this situation, the Company recognizes revenue in the gross amount of remuneration to which it is expected to be entitled in exchange for goods or services transferred.

The Company acts as an intermediary if its obligation to perform the service consists in ensuring delivery of goods or services by another entity. In such a case, the Company recognizes revenue in the amount of any fee or commission to which it is expected to be entitled in exchange for ensuring delivery of goods or services by another entity.

Variable remuneration

Some contracts with clients include variable amounts of remuneration, including in connection with the granting of discounts, rebates, penalties.

If the remuneration specified in the contract includes a variable amount, the entity estimates the amount of remuneration to which it will be entitled in exchange for the transfer of promised goods or services to the client and includes part or all of the variable remuneration in the transaction price only to the extent that it is highly probable that there will be no reversal of a significant part of the amount of previously recognized accumulated revenues at the time when the uncertainty about the amount of variable remuneration is flat.

2.2.28. FINANCE INCOMES AND COSTS

Finance income comprises interest income from funds invested (including available-for-sale financial assets), dividend income, gains on disposal of available-for-sale financial assets, changes in fair value of financial assets measured through profit or loss, and gains on hedging instruments that are recognized in the income statement.

Interest income

Interest incomes are recognized as accrued, with reference to the principal amount payable, according to the accruals principle, using the effective interest rate method.

Dividend income

Dividend income is recognized on the date the shareholders' entitlement to receive dividend is established.

Finance costs comprise interest expenses on borrowings, unwinding of the discount on presented provisions, changes in the fair value of financial instruments carried through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in the income statement.

Borrowing costs that are not directly attributable to the acquisition, manufacture, construction or production of specified assets are recognized in the income statement using the effective interest rate method.

Foreign currency gains and losses are reported as net amounts, as finance incomes or expenses, according to their total net position.

Disposal of the unit

The result on the sale of subsidiaries is presented by the Company in the profit and loss account in financing activities.

Government grants

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

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

2.2.29. EMPLOYEE BENEFITS

Long-term employee benefits

The Company recognizes expenses concerning pension plans and other employee benefits for the post-employment period in its financial statements by setting up a provision for pensions.

Provisions for post-employment benefits are established using the “Projected unit credit” method. Calculation according to actuarial forecast of unit rights is performed by a certified actuary. Liabilities recognized on an accruals basis and measured as those discounted future payments that employees have earned as at the reporting date, adjusted by personnel and demographic movement indexes.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period of service.

The Company recognizes this liability as the amount expected to be paid to employees as short-term cash bonuses or profit-sharing plans if the Company has a present obligation, by law or custom, to make such payments as a result of a past service provided by the employee, and the obligation can be estimated reliably.

The company has the costs associated with the operation of Employee Capital Plans ("PPK") by making contributions to the pension fund. They are the post-employment benefits in the form of a defined contribution plan. The Company recognizes the costs of payments for PPK in the same cost item in which it recognizes the remuneration costs from which they are calculated. PPK liabilities are presented as part of Current employee benefits.

Payments in the form of stock options

Payments in the form of stock options enable employees to take up the Company’s shares. Fair value of granted options for shares is recognized as a separate position in general and administrative expenses, with a corresponding increase in equity (reserve capital). Fair value is measured as at the grant date and recognized over the period that the employees become unconditionally entitled to realize the options. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be fulfilled.

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

2.2.30. INCOME TAX

Income tax covers the current and deferred part. Current and deferred income tax is recognized as profit or loss of the current period, except when it concerns a business combination and items recognized directly in equity or as other comprehensive income.

Current tax is the expected amount of liabilities or receivables due to tax on taxable income for a given reporting period, calculated on the basis of the tax result (tax base) of a given reporting period and adjusted by adjustments of tax liability regarding previous reporting periods. Tax income differs from gross book profit (loss) due to the exclusion of certain categories of balance sheet revenues as not subject to taxation and balance sheet expense, not constituting tax deductible costs and items of costs and revenues that will never be subject to taxation or reduce the tax base in subsequent years . Tax burdens are calculated based on tax rates applicable in a given reporting period.

Deferred tax is calculated using the balance sheet method as a tax to be paid or returned in the future on temporary differences between the balance sheet values of assets and liabilities and the corresponding tax values used to calculate the tax base.

Deferred tax provision is created from all positive temporary differences

- except when the provision for deferred tax arises as a result of the initial recognition of goodwill or initial recognition of an asset or liability when a transaction is not a business combination and does not affect gross profit or loss or taxable income or tax loss, and
- in the case of positive temporary differences arising from investments in subsidiaries or affiliates and interests in joint ventures - except when the dates of reversal of temporary differences are subject to investor control and when it is probable that the temporary differences will not be reversed in the foreseeable future.
- deferred tax assets are recognized for all deductible temporary differences as well as unused tax credits and unused tax losses carried forward to the following years, in the amount in which it is probable that taxable income will be achieved, which will allow to use the abovementioned taxable profit. differences, assets and losses
- except when deferred tax assets related to deductible temporary differences arise as a result of the initial recognition of an asset or liability when a transaction is not a business combination and have no effect on gross profit or loss or taxable income tax loss, and
- in case of negative temporary differences due to investments in subsidiaries or affiliates and shares in joint ventures, the deferred tax asset is recognized in the balance sheet only in the amount in which it is probable that in the foreseeable future the above-mentioned temporary differences will be reversed and taxable income will be achieved, which will allow deduction of negative temporary differences.

The value of deferred tax assets is analyzed at the end of each reporting period, and if the expected future tax profits are not sufficient to realize an asset or its part, it is recognized to the realizable value.

Deferred tax assets and deferred tax provisions are valued using tax rates that are expected to apply in the period when the asset is realized or the provision is released, based on tax rates (and tax regulations) in force as at the balance sheet date or those whose validity is certain in the future as at the balance sheet date.

Income tax relating to items recognized outside profit or loss is recognized outside profit or loss: in other comprehensive income, for items recognized in other comprehensive income or directly in equity for items recognized directly in equity.

Deferred income tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to offset current tax liabilities and assets and provided that the deferred income tax assets and reserves relate to income tax imposed by the same tax authority for the same taxpayer.

2.2.31. UNCERTAIN TAX TREATMENT

If according to the Company's assessment it is probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Company determines taxable income (tax loss), tax base, unused tax losses and unused tax credits and tax rates, after considering in its tax return the applied or planned approach to taxation.
If the Company ascertains that it is not probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Company reflects the impact of this uncertainty in determining taxable income (tax loss), unused tax losses, unused tax credits or tax rates. The Company accounts for this effect using the following methods:

- determining the most probable amount – it is a single amount from among possible results,
- providing the expected amount – it is the sum total of the amounts weighted by probability from among possible results.

When assessing the uncertainty, the Company took into account the requirements of IAS 12, IFRIC 23, creating positions of tax liabilities / provisions, respectively.

2.2.32. EARNINGS PER SHARE

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held by the Company. Diluted EPS is determined by dividing the adjusted profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, the latter as adjusted for own shares held and for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

2.2.33. MERGERS OF JOINTLY CONTROLLED ENTITIES

Acquired assets and liabilities connected with merger of companies under joint control of a shareholder which at the same time controls the Group are presents at book values in the consolidated financial statements of Eurocash S.A. Group.
Differences from the mergers are referred to the equity.

2.2.34. OPERATING SEGMENTS

The Company decided not to present operating segment data in its separate financial statements.
Detailed information and financial data about operational segments are presented in the consolidated financial statements of Eurocash S.A. Group.

2.2.35. CASH POOL

An important element of intra-group financing are two liquidity management programs ("Cash pool"), the purpose of which is to effectively manage joint financial liquidity within a group of accounts. Both systems are based on the mechanism of zeroing balances, which consists in transferring positive and negative balances from individual current accounts to the main account of the program leader (Eurocash S.A.) at the end of the business day per balance. At the beginning of each subsequent business day, this operation is reversed. Interest on the balance on the program leader's main account is accrued on the last day of each calendar month.

Positive balance due to cash pooling is presented in the item Short-term financial assets in subsidiaries and the negative balance in the item Short-term loans and borrowings in the statement of financial position

2.3. NOTES TO SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2022 TO 31.12.2022

NOTE 1.
ACQUISITION OF 49% OF SHARES IN ARHELAN

On 09.11.2021, Eurocash purchased 49% of shares in Arhelan sp. z o.o. while committing to acquire 1% of the shares in the future.

On 13.05.2022, Eurocash purchased 1% of shares in Arhelan sp. z o.o. and achieved the announced 50% share in the share capital of Arhelan.

Due to the fact that the Eurocash Group has been consolidating Arhelan since November 2021 (i.e. since the acquisition of 49% of shares in the company[1]), the acquisition of 1% of shares is not a significant change from the perspective of the Eurocash Group.

In addition, options (conditional or unconditional) were granted as part of the transaction, which - if exercised by the appropriate party - will result in the purchase of the remaining 50% of shares by Eurocash (as a result of which Eurocash will hold 100% of Arhelan shares).

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

Arhelan runs a chain of over 100 retail stores under the Polskie Sklepy Arhelan brand and, from 2022, 6 stores under the Delikatesy Centrum-Arhelan logo - i.e. as a franchisee of the Delikatesy Centrum chain.

The activity is carried out mainly in the Podlaskie Voivodship, but also in the Warmińsko-Mazurskie, Mazowieckie and Lubelskie Voivodships. The distinguishing features of the brand are fresh products of the highest quality, obtained from reliable suppliers, and the Arhelan expansion model is part of a socially responsible presence on local markets.

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS

1.	Name of acquired company	Arhelan Sp. z o.o.
2.	Acquisition date	09.11.2021
3.	Acquisition cost	101 213 210

[1] *Note 39 (Important events after the period covered by the financial statements)*

NOTE 2.
GOODWILL AND INTANGIBLE ASSETS

The table below presents intangible asset data.

GOODWILL AND INTANGIBLE FIXED ASSETS IN THE PERIOD FROM 01.01 TO 31.12.2022	Goodwill	Patents and licences	Trademarks	Customer relations	Other intangible assets	Intangible assets under construcion	**Total**
Carrying amount as at 01.01.2021	**1 204 087 309**	**75 855 271**	**290 216 159**	**140 837 343**	**72 787 568**	**16 311 777**	**1 800 095 428**
Acquisitions							**0**
Acquisition through business combination	0	0	0	0	0	0	**0**
Other acquisitions	0	8 420 209	15 183 563	0	0	24 919 061	**48 522 833**
Transfer of fixed assets under construction	0	26 114 520	979 990	0	0	(28 301 612)	**(1 207 102)**
Disposals	0	(141 206)	0	0	0	**(183 555)**	**(324 761)**
Liquidations	0	(5 646)	0	0	0	0	**(5 646)**
Amortisation	0	(30 473 583)	(2 225 101)	(12 500 000)	(8 734 500)	0	**(53 933 184)**
Carrying amount as at 31.12.2021	**1 204 087 309**	**79 769 565**	**304 154 611**	**128 337 343**	**64 053 068**	**12 745 671**	**1 793 147 567**
Carrying amount as at 01.01.2022	**1 204 087 309**	**79 769 565**	**304 154 611**	**128 337 343**	**64 053 068**	**12 745 671**	**1 793 147 567**
Other acquisitions	0	11 060 210	0	0	602 113	22 008 153	**33 670 476**
Transfer of fixed assets under construction	0	17 452 818	0	0	653 315	(21 467 377)	**(3 361 244)**
Disposals	0	(96 800)	(109 886 410)	0	(602 643)	**(209 875)**	**(110 795 728)**
Liquidations	0	(285 432)	0	0	0	(220 814)	**(506 246)**
Amortisation	0	(32 750 329)	0	(12 500 000)	(10 233 721)	**0**	**(55 484 050)**
Carrying amount as at 31.12.2022	**1 204 087 309**	**75 150 032**	**194 268 201**	**115 837 343**	**54 472 131**	**12 855 758**	**1 656 670 775**

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

	Goodwill	Patents and licences	Trademarks	Customer relations	Other intangible assets	Intangible assets under construcion	**Total**
As at 31.12.2021							
Gross carrying amount	1 204 087 309	293 856 654	334 194 316	256 297 960	108 216 834	12 744 265	2 209 397 338
Accumulated amortisation	0	(214 087 089)	(30 039 705)	(127 960 617)	(44 163 766)	1 406	(416 249 770)
Carrying amount	**1 204 087 309**	**79 769 565**	**304 154 611**	**128 337 343**	**64 053 068**	**12 745 671**	**1 793 147 567**
As at 31.12.2022							
Gross carrying amount	1 204 087 309	321 987 451	224 307 906	256 297 960	108 869 619	12 854 352	2 128 404 596
Accumulated amortisation	0	(246 837 419)	(30 039 705)	(140 460 617)	(54 397 488)	1 406	(471 733 822)
Carrying amount	**1 204 087 309**	**75 150 032**	**194 268 201**	**115 837 343**	**54 472 131**	**12 855 758**	**1 656 670 775**

Goodwill presented in intangible assets arose as a consequence of (chronologically):

- acquisition by Eurocash S.A. of an organized part of enterprise "Carment M. Stodółka i Wspólnicy Spółka Jawna" as at 16.08.2006 in the amount of PLN 9,975,600 (included in retail segment impairment test),
- merger with Przedsiębiorstwo Handlowe Batna Sp. z o.o. as at 01.07.2010 in the amount of PLN 29,180,412 (included in wholesale segment impairment test),
- merger with Eurocash Dystrybucja Sp. z o.o. as at 01.09.2010 in the amount of PLN 56,868,456 (included in wholesale segment impairment test),
- acquisition of organized part of the business of Premium Distributors Sp. z o.o. as at 01.10.2013 in the amount of PLN 226,352,528 (included in wholesale segment impairment test),
- merger with Tradis Sp. z o.o. as at 04.04.2014 in the amount of PLN 554,351,163 (included in wholesale segment impairment test),
- merger with PolCater Sp. z o.o. as at 01.10.2014 in the amount of PLN 11,428,360 (included in wholesale segment impairment test),
- acquisition of an organized part of enterprise MILA S.A. (Distribution Center in Krągola) as at 02.12.2019 in the amount of PLN 270,995,642 (included in retail segment impairment test),
- merger with DEF Sp. z o.o. as at 01.12.2020 in the amount of PLN 44.935.147(included in wholesale segment impairment test),

The Company has the following trademarks with indefinite useful lives:

a) the trademark "Eurocash" with a book value of PLN 179,000,000,

b) the trademark „Duży Ben" with a book value PLN 14.600.000.

In 2022, the Company transferred the ABC trademark (included in the organized part of the enterprise) to its subsidiary Eurocash Sieci Partnerskie Sp. z o. o.

The company did not make any impairment write-offs for goodwill in 2021 and 2022.

The main intangible assets with a limited useful life:

EKO distribution function - until 2028.

Customer relations related to the acquisition of the Tradis Group - until 2031.

Amortization of intangible assets was recognized in its entirety as selling expenses and general and administrative expenses.

The Company did not recognize any impairment losses in relation to intangible assets; this issue is discussed in more detail in Note 5.

NOTE 3.
PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment items are presented below.

PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD FROM 01.01 TO 31.12.2022	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	**Total**
Carrying amount as at 01.01.2021	**279 487 320**	**84 010 462**	**19 815 658**	**38 908 213**	**11 545 775**	**433 767 428**
Acquisition through business combination	0	0	0	0	0	**0**
Other acquisitions	4 154 184	18 458 571	2 650 628	10 416 200	8 686 158	**44 365 740**
Changes due to the transfer of fixed assets under construction	5 608 174	7 509 484	0	712 117	(12 622 673)	**1 207 102**
Disposals	(13 237 577)	(897 462)	(2 468 458)	(38 352)	(1 200)	**(16 643 049)**
Liquidations	(176 024)	(104 074)	0	(204 982)	0	**(485 080)**
Depreciation	(20 189 316)	(27 296 666)	(7 526 514)	(13 243 191)	0	**(68 255 688)**
Other changes				(377 549)	0	**(377 549)**
Carrying amount as at 31.12.2021	**255 646 762**	**81 680 314**	**12 471 314**	**36 172 455**	**7 608 060**	**393 578 904**
Carrying amount as at 01.01.2022	**255 646 762**	**81 680 314**	**12 471 314**	**36 172 455**	**7 608 060**	**393 578 904**
Other acquisitions	2 795 310	11 434 099	2 127 785	8 548 175	5 624 157	**30 529 526**
Changes due to the transfer of fixed assets under construction	4 309 835	4 939 709	31 442	1 593 658	(7 513 399)	**3 361 244**
Disposals	(2 260 293)	(702 886)	(248 502)	(2 684 090)	0	**(5 895 771)**
Liquidations	(408 725)	(589 439)	(9 847)	(3 573 924)	(1 427 994)	**(6 009 929)**
Depreciation	(20 286 267)	(26 802 055)	(6 289 880)	(11 978 671)	0	**(65 356 873)**
Other changes	(445 819)	0	(8 532)		679 205	**224 854**
Carrying amount as at 31.12.2022	**239 350 803**	**69 959 742**	**8 073 780**	**28 077 603**	**4 970 029**	**350 431 956**

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

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	**Total**
As at 31.12.2021						
Gross carrying amount	491 628 454	323 088 510	106 865 572	307 181 004	7 607 944	1 236 371 484
Accumulated amortisation	(235 981 692)	(241 408 196)	(94 394 258)	(271 008 549)	116	(842 792 579)
Carrying amount	**255 646 762**	**81 680 314**	**12 471 314**	**36 172 455**	**7 608 060**	**393 578 904**
As at 31.12.2022						
Gross carrying amount	495 618 762	338 169 993	108 757 918	311 064 823	4 969 912	1 258 581 408
Accumulated amortisation	(256 267 959)	(268 210 252)	(100 684 138)	(282 987 220)	116	(908 149 452)
Carrying amount	**239 350 803**	**69 959 742**	**8 073 780**	**28 077 603**	**4 970 029**	**350 431 956**

NOTE 4.
ASSETS DUE TO THE RIGHT OF USE

Information on the right-of-use assets is presented in the table below.

RIGHT OF USE IN THE PERIOD FROM 01.01 TO 31.12.2021	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	**Total**
Carrying amount as at 01.01.2020	**722 516 092**	**0**	**153 551 411**	**241 143**	**876 308 646**
Increases due to the new agreements	27 486 543	0	50 110 026	459 565	**78 056 134**
Changes in conditions of contracts *	58 317 386	0	10 864 584	0	**69 181 970**
Decrease of contracts scope	(3 983 386)	0	(14 289 708)	0	**(18 273 094)**
Depreciation	(119 260 379)	0	(55 575 786)	(119 467)	**(174 955 632)**
Carrying amount as at 31.12.2020	**685 076 256**	**0**	**144 660 526**	**581 242**	**830 318 024**
Carrying amount as at 01.01.2021	**685 076 256**	**0**	**144 660 526**	**581 242**	**830 318 024**
Increases due to the new agreements	6 005 205	0	54 889 678		**60 894 883**
Changes in conditions of contracts *	38 889 561	0	10 045 075	(194 154)	**48 740 482**
Decrease of contracts scope	1 856 824	0	(2 766 163)	0	**(909 338)**
Depreciation	(113 582 785)	0	(55 427 168)	0	**(169 009 953)**
Carrying amount as at 31.12.2021	**618 245 061**	**0**	**151 401 948**	**387 088**	**770 034 097**

RIGHT OF USE IN THE PERIOD FROM 01.01 TO 31.12.2021 (continued)

	Land and buildings	Plant and equipment	Vehicles	Other fixed assets	**Total**
As at 31.12.2021					
Gross carrying amount	804 336 636	0	200 236 312	700 709	1 005 273 656
Accumulated amortisation	(119 260 379)	0	(55 575 786)	(119 467)	(174 955 632)
Carrying amount	**685 076 256**	**0**	**144 660 526**	**581 242**	**830 318 024**
As at 31.12.2022					
Gross carrying amount	851 088 226	0	262 404 902	506 555	1 113 999 682
Accumulated amortisation	(232 843 165)	0	(111 002 953)	(119 467)	(343 965 585)
Carrying amount	**618 245 061**	**0**	**151 401 948**	**387 088**	**770 034 097**

**Changes in the terms of contracts include changes in estimates with regard to changing the period or exercising options.*

The total cash outflow from the lease amounted to PLN 197,609,250 in 2022 (PLN 199,581,260 in 2021).

The value of interest paid under contracts covered by IFRS 16 amounted to PLN 26,523,729 in 2022 (PLN 26,660,067 in 2021).

Short-term and low-price lease agreements, the total amount of which amounted to PLN 6.9 million in 2022 (approximately PLN 10.8 million in 2021), are excluded from recognition in the balance sheet. In this category, the Company includes the lease of, among others: cars, trucks, containers.

NOTE 5.
ANALYSIS OF INDICATIONS OF POTENTIAL IMPAIRMENT OF ASSETS

The Company analyzed evidence of impairment of assets, including investments broken down by reporting segments disclosed in the consolidated financial statements, to which individual assets recognized in the separate statements are related. In addition, the Company performed impairment tests for intangible assets with an indefinite useful life and goodwill.

As at 31 December 2022, the Company performed impairment tests for individual non-current assets, including goodwill, relating to wholesale and retail operations and determined the recoverable amounts of the relevant cash-generating units to which these fixed assets (including goodwill) are allocated.

The value of assets for testing individual centers was determined in accordance with the carrying amount defined as the sum of assets of a given cash-generating center, less short-term liabilities constituting part of working capital.

The recoverable amount was determined as the value of the tested cash-generating unit based on financial projections for 2023-2027, verified by the Company's Management Board as at 31 December 2022. Historical data for 2022 and approved by the Management Board of Eurocash S.A. were used to determine selected projection parameters. plans for 2023-2027.

Non-current assets (including goodwill and trademarks) related to wholesale operations

The model for estimating the recoverable amount of assets of a center generating cash flows within the wholesale activity includes 5-year detailed cash flow projections, in which period it was assumed, among others, an average annual increase in sales by 7.5% and a constant level of margin from 2023.

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

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

The weighted average cost of capital - WACC: 7.27% was adopted as the discount rate; in 2021 WACC: 6.35%.

The assumed growth rate in the residual period was 2.5%.

In the Company's opinion, no rational change in the key assumptions adopted for the measurement of the recoverable amount of the cash-generating unit will cause the carrying amount of this unit to exceed the recoverable amount.

Goodwill related to Retail activity

As at 31 December 2022, the Company performed impairment tests for individual non-current assets, including goodwill, presented in the financial statements in the total amount of PLN 1,106 million related to retail operations and determined the recoverable amounts of relevant cash-generating units to which

these fixed assets (including goodwill) are imputed. The recoverable amount of assets in the Retail segment was determined on the basis of cash flow projections developed (Discounted Cash Flow method), among others, by under the following assumptions:

- a model for determining the recoverable amount prepared on the basis of the existing infrastructure and sales network (value in use), including central distribution of goods and sales to own and franchise stores,
- the projection of cash flows was determined for a period of 5 years of a detailed forecast, taking into account the residual value,
- the calculation of the cash flow projection takes into account the recognition of lease agreements in accordance with IFRS 16,
- capital expenditures in subsequent years were agreed to the approved investment budgets,
- in the period covered by the detailed analysis, an average annual increase in sales revenue of 9.8% was assumed based on the development activities undertaken and plans of the Management Board, inflation assumptions and external analyzes of the development of the retail sales market, while in the residual period the growth rate of 2.5% was assumed.
- in the horizon of the detailed forecast, an increase in the level of the gross margin by 1 p.p. was assumed. compared to the level achieved in 2022, except that the planned increase in the level of gross margin is achieved gradually throughout the forecast period,
- the level of working capital was projected on the basis of historical inventory turnover ratios, trade receivables and trade payables.

The discount rate used in the cash flows is consistent with the weighted average cost of capital (WACC), calculated based on the risk-free rate. Other elements used in the calculation, such as market risk premium, beta factor and capital structure are based on market data, adequate for the industry in which Eurocash operates. A specific risk premium appropriate for the Eurocash Group was also adopted. The weighted average cost of capital - WACC of 10.23% (2021: 7.95%) was adopted as the discount rate.

For the Retail segment, the deviation of the discount rate by +/- 0.25 p.p. would reduce/increase the surplus over the tested value by approximately PLN 80 million. Increase/decrease in the discount rate by 0.25 p.p. as well as a decrease/increase in the margin by 0.25 p.p. does not lead to impairment of the cash-generating unit to which goodwill is allocated.

Reducing the gross margin in the forecast horizon by 1.3% in relation to the assumed margin values in individual years of the forecast, with other parameters of the model unchanged, would equal the book value of assets of the center generating cash flows with the recoverable value.

In the case of the discount rate, there is no rational change to it does not lead to impairment of the cash-generating unit to which goodwill is allocated.

In carrying out the above mentioned asset impairment tests, settlements between the Group companies resulting from group settlements for liquidity management (cashpooling) in the amount of PLN 587 million were excluded from the analysis. On the basis of the signed agreement regarding the transfer of these balances between the companies of the Capital Group, the cash pool liabilities will remain to be

settled by other subsidiaries remaining in the Group. However, as at 31 December 2022, the above agreement does not release any of the companies from the cashpool obligation.

Trademarks impairment tests

The Company conducted impairment tests for trademarks with an indefinite useful life:

- related to wholesale activity: the "Eurocash" trademark with value PLN 179,000,000 as at 31 December 2022.

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

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

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

The tests were carried out based on financial projections for 2023-2027. Historical data for 2022 and approved by the Management Board of Eurocash S.A. were used to determine selected projection parameters. plans for 2023-2027. In order to determine the total sales level, increases in sales of locations existing as at the date of the test were forecast.

The weighted average cost of capital - WACC (from 8.27%; in 2021, WACC from 6.35%) was adopted as the discount rate.

As a result of the conducted analysis, it was confirmed that there is no need to make an impairment write-down.

- impairment test for the “Duży Ben” trademark worth PLN 15 million as at 31 December 2022

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

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

The way to determine the market level of the license fee is to forecast the sales of products marked with the trademark being valued and to determine the rate of the license fee for the use of this

trademark. The license fee rate is determined on the basis of an analysis of trademark lease agreements between unrelated parties within a comparable market segment.

The tests were carried out based on financial projections for 2023-2027. Historical data for 2022 and approved by the Management Board of Eurocash S.A. were used to determine selected projection parameters. plans for 2023-2027. In order to determine the total sales level, increases in sales of locations existing as at the date of the test were forecast.

The weighted average cost of capital - WACC (from 8.27%; in 2021, WACC from 6.35%) was adopted as the discount rate.

As a result of the conducted analysis, it was confirmed that there is no need to make an impairment write-down.

Investments in subsidiaries from the Projects segment

Kontigo

Eurocash S.A. does not directly hold shares in Kontigo. However, it is the guarantor of Kontigo's debt in the intercompany liquidity management system (cashpooling).

With regard to the Kontigo subsidiary, evidence of impairment was identified in 2022 related to the continuing operating losses of Kontigo and the lack of implementation of sales budgets, which were recognized in 2022 in the amount of PLN 25 million. Total exposure of Eurocash S.A. under the financial guarantee as at 31 December 2022 is equal to Kontigo's debt, i.e. PLN 175 million.

The total value of impairment losses recognized as at 31 December 2022 is PLN 130 million.

The exposure was classified to stage 3 of impairment in accordance with IFRS 9. The PD parameter (*probability of default*) was set at 100%.

Duży Ben

With regard to the subsidiary Duży Ben, evidence of impairment of the investment was identified. Duży Ben, as a company operating in the Eurocash Group, acts as a distributor with limited risks and generates a profit at the operational level.

Eurocash S.A. is also the guarantor of Duzy Ben's debt in the intra-group liquidity management system (cashpooling). Total exposure of Eurocash S.A. on this account as at 31.12.2022 amounts to PLN 233 million.

The value in use was estimated on the basis of the level of profitability achieved by mature stores, which is observed for stores positioned on the market in previous years. As a result of the analysis, no impairment of the above-mentioned assets was found. assets. No rational change in the assumptions adopted for the test will result in recognizing the impairment of the tested assets.

Provisions for expected credit losses due to the financial guarantee granted are immaterial according to the estimates made.

Frisco

For the subsidiary Frisco, impairment tests were carried out on investments in the amount of PLN 261 million.

Based on analyzes of comparative transactions and market valuations with the support of independent specialists, the Management Board determined the fair value less costs of disposal of investments in assets shown in the balance sheet, which was recognized as recoverable value.

The fair value was determined using multiplier methods based on the EV/Sales ratio and including market multiples and transaction multiples. In the first case, the median of the EV/S ratio of comparable companies in Europe was determined, which was used to determine the recoverable amount based on the realized sales revenue in 2022, taking into account such elements as liquidity discount, control premium and costs of sale and liabilities leasing. Valuation using the EV/S transaction multiples method was based on comparable transactions, while the application of bonuses and discounts depended on the size of the stake covered by the comparable transaction and whether such comparable transaction included shares in a public or private company; on this basis, the median fair value was used to calculate the recoverable amount of assets, taking into account the sales revenues indicated above and the costs to sell.

After comparing the recoverable amount determined in the valuations with the value of assets indicated above, no impairment of these assets was identified as at 31.12.2022.

NOTE 6.
INVESTMENT PROPERTIES

Information on investment properties is presented in the tables below.

INVESTMENT PROPERTY AS AT 31.12.2022	as at 31.12.2022	as at 31.12.2021
Opening balance	**913 684**	**925 711**
Depreciation	(15 574)	(12 027)
Closing balance	**898 110**	**913 684**

NOTE 7.
INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are presented in the following table.

INVESTMENTS IN SUBSIDIARIES IN THE PERIOD FROM 01.01. TO 31.12.2022	as at 31.12.2022	as at 31.12.2021
Opening balance	**1 546 474 327**	**1 445 256 408**
Increase in reporting period:	**144 748 977**	**181 249 604**
acquisitions*	1 408 456	101 213 210
other increse - Kontigo	**0**	25 036 394
Contribution to a subsidiary company	118 340 521	**0**
Increase of capital in subsidiaries	25 000 000	55 000 000
Decrease in reporting period:	**(6 698 927)**	**(80 031 685)**
Write-off of the value of shares*	(6 660 000)	(80 000 000)
Other decrese	(38 927)	(31 685)
Closing balance	**1 684 524 377**	**1 546 474 327**

* The Company purchased 1% of shares in Arhelan - details in Note 1
** The Company made a write-off of shares in the subsidiary PHS Sp. z o.o. w likwidacji

The list of subsidiaries as at 31.12.2022 is presented below.

No	Entity name	Register office	KRS number	% of shares
1	Eurocash Serwis Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000519553	75,00%
2	Eurocash Franczyza Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000259846	100,00%
3	Eurocash Trade 1 Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000329002	100,00%
4	Przedsiębiorstwo Handlu Spożywczego Sp. z o.o. w likwidacji	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000203619	100,00%
5	Lewiatan Podlasie Sp. z o.o.	Porosły 70A 16-070 Choroszcz	KRS 0000508176	100,00%
6	Ambra Sp. z o.o.	ul. Hutnicza 7 43-502 Czechowice-Dziedzice	KRS 0000254307	100,00%
7	Lewiatan Śląsk Sp. z o.o.	ul. Lenartowicza 39 41-219 Sosnowiec	KRS 0000175768	100,00%
8	Lewiatan Orbita Sp. z o.o.	ul. Lubelska 33/15 10-410 Olsztyn	KRS 0000039244	100,00%
9	Lewiatan Kujawy Sp. z o.o.	ul. Polna 4-8 87-800 Włocławek	KRS 0000109502	100,00%
10	Lewiatan Wielkopolska Sp. z o.o.	os. Winiary 54 60-665 Poznań	KRS 0000133384	100,00%
11	Lewiatan Opole Sp. z o.o.	ul. Światowida 2 45-325 Opole	KRS 0000043199	100,00%
12	Lewiatan Zachód Sp. z o.o.	ul. Przemysłowa 5 73-110 Stargard Szczeciński	KRS 0000017136	100,00%

No	Entity name	Register office	KRS number	% of shares
13	Lewiatan Podkarpacie Sp. z o.o.	ul. Krakowska 47 39-200 Dębica	KRS 0000186622	100,00%
14	Lewiatan Holding S.A.	ul. Kilińskiego 10 87-800 Włocławek	KRS 0000089450	66,60%
15	Lewiatan Północ Sp. z o.o.	ul. I Dywizji Wojska Polskiego nr 98 84-230 Rumia	KRS 0000322297	100,00%
16	Inmedio Sp. z o.o.	ul. Al.Jerozolimskie 174 02-486 Warszawa	KRS 0000525507	51,00%
17	Eurocash VC3 Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000560795	100,00%
18	ABC na kołach Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000586936	100,00%
19	Duży Ben Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000577163	100,00%
20	Firma Rogala Sp. z o.o.	ul. Grunwaldzka 59 38-350 Bobowa	KRS 0000576321	50,00%
21	Polska Dystrybucja Alkoholi Sp. z o.o.	ul. Hubla 40,Wola Zaradzyńska 95-054 Ksawerów	KRS 0000124474	100,00%
22	FHC-2 Sp. z o.o.	ul. Tysiąclecia 1 38- 400 Krosno	KRS 0000241137	100,00%
23	Madas Sp. z o.o.	ul. Tysiąclecia 1 38- 400 Krosno	KRS 0000243880	100,00%
24	Delikatesy Centrum Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000116761	100,00%
25	ABC Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000746077	100,00%
26	Eurocash Sieci Partnerskie Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000745820	100,00%
27	Partner Sp. z o.o.	os. Armii Krajowej 6a 87-600 Lipno	KRS 0000229327	100,00%
28	Frisco S.A.	ul. Grochowska 306/ 308 03-840 Warszawa	KRS 0000401344	100,00%
29	Innowacyjna Platforma Handlu Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000492021	100,00%
30	Arhelan Sp. z o.o.	Al. Józefa Piłsudskiego 45 17-100 Bielsk Podlaski	KRS 0000912320	50,00%
31	Eko Holding S.A. w likwidacji	Ul. Ryszarda Chomicza 13c 55-080 Kąty Wrocławskie	KRS 0000302877	100,00%

The list of subsidiaries as at 31.12.2021 is presented below.

No	Entity name	Register office	KRS number	% of shares
1	Eurocash Serwis Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000519553	75,00%
2	Eurocash Franczyza Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000259846	100,00%
3	Eurocash Trade 1 Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000329002	100,00%
4	Premium Distributors Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000287947	100,00%
5	Przedsiębiorstwo Handlu Spożywczego Sp. z o.o. w likwidacji	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000203619	100,00%
6	Lewiatan Podlasie Sp. z o.o.	Porosły 70A 16-070 Choroszcz	KRS 0000508176	100,00%

No	Entity name	Register office	KRS number	% of shares
7	Euro Sklep Sp. z o.o.	ul. Bystrzańska 94a 43-309 Bielsko-Biała	KRS 0000012291	100,00%
8	Ambra Sp. z o.o.	ul. Hutnicza 7 43-502 Czechowice-Dziedzice	KRS 0000254307	100,00%
9	Lewiatan Śląsk Sp. z o.o.	ul. Lenartowicza 39 41-219 Sosnowiec	KRS 0000175768	100,00%
10	Lewiatan Orbita Sp. z o.o.	ul. Lubelska 33/15 10-410 Olsztyn	KRS 0000039244	100,00%
11	Lewiatan Kujawy Sp. z o.o.	ul. Polna 4-8 87-800 Włocławek	KRS 0000109502	100,00%
12	Lewiatan Wielkopolska Sp. z o.o.	os. Winiary 54 60-665 Poznań	KRS 0000133384	100,00%
13	Lewiatan Opole Sp. z o.o.	ul. Światowida 2 45-325 Opole	KRS 0000043199	100,00%
14	Lewiatan Zachód Sp. z o.o.	ul. Przemysłowa 5 73-110 Stargard Szczeciński	KRS 0000017136	100,00%
15	Lewiatan Podkarpacie Sp. z o.o.	ul. Krakowska 47 39-200 Dębica	KRS 0000186622	100,00%
16	Lewiatan Holding S.A.	ul. Kilińskiego 10 87-800 Włocławek	KRS 0000089450	66,60%
17	Lewiatan Północ Sp. z o.o.	ul. I Dywizji Wojska Polskiego nr 98 84-230 Rumia	KRS 0000322297	100,00%
18	Inmedio Sp. z o.o.	ul. Al.Jerozolimskie 174 02-486 Warszawa	KRS 0000525507	51,00%
19	Eurocash VC3 Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000560795	100,00%
20	ABC na kołach Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000586936	100,00%
21	Duży Ben Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000577163	100,00%
22	Firma Rogala Sp. z o.o.	ul. Grunwaldzka 59 38-350 Bobowa	KRS 0000576321	50,00%
23	Polska Dystrybucja Alkoholi Sp. z o.o.	ul. Hubla 40,Wola Zaradzyńska 95- 054 Ksawerów	KRS 0000124474	100,00%
24	FHC-2 Sp. z o.o.	ul. Tysiąclecia 1 38- 400 Krosno	KRS 0000241137	100,00%
25	Madas Sp. z o.o.	ul. Tysiąclecia 1 38- 400 Krosno	KRS 0000243880	100,00%
26	Delikatesy Centrum Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000116761	100,00%
27	ABC Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000746077	100,00%
28	Groszek Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000745820	100,00%
29	Partner Sp. z o.o.	os. Armii Krajowej 6a 87-600 Lipno	KRS 0000229327	100,00%
30	Delikatesy Centrum 2 Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000772585	100,00%
31	Delikatesy Centrum 4 Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000772558	100,00%
32	Delikatesy Centrum 3 Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000772562	100,00%
33	Frisco S.A.	ul. Grochowska 306/ 308 03-840 Warszawa	KRS 0000401344	100,00%
34	Innowacyjna Platforma Handlu Sp. z o.o.	ul .Wiśniowa 11 62-052 Komorniki	KRS 0000492021	100,00%
35	Arhelan Sp. z o.o.	Al. Józefa Piłsudskiego 45 17-100 Bielsk Podlaski	KRS 0000912320	49,00%
36	Eko Holding S.A. w likwidacji	Ul. Ryszarda Chomicza 13c 55-080 Kąty Wrocławskie	KRS 0000302877	100,00%

NOTE 8.
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are presented below.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2022

Name of entity	Registered office of the company	% of shares held	% of votes held
Partnerski Serwis Detaliczny S.A.	ul. Grażyny 15 02-548 Warszawa	50,00%	50,00%

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2021

Name of entity	Registered office of the company	% of shares held	% of votes held
Partnerski Serwis Detaliczny S.A.	ul. Grażyny 15 02-548 Warszawa	50,00%	50,00%

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS AT 31.12.2022

	as at 31.12.2022	as at 31.12.2021
Opening balance	**4 590 840**	**4 590 840**
Increase in reporting period:	0	0
Decrease in reporting period:	0	0
Balance upon changes	**4 590 840**	**4 590 840**

NOTE 9.
OTHER LONG-TERM FINANCIAL ASSETS

Other long-term financial assets are presented below.

OTHER LONG-TERM INVESTMENTS AS AT 31.12.2022	as at 31.12.2022	as at 31.12.2021
Shares in other entities	57 633	57 633
Other long-term financial assets	0	427
Receivables due to security instruments	0	4 144 413
Total other long-term financial assets	**57 633**	**4 202 474**

NOTE 10.
LONG-TERM RECEIVABLES

Long-term receivables are presented below.

LONG-TERM RECEIVABLES AS AT 31.12.2022	as at 31.12.2022	as at 31.12.2021
Security deposits	1 626 627	1 424 348
Total long-term receivables	**1 626 627**	**1 424 348**

NOTE 11.
OTHER LONG-TERM PREPAYMENTS

Other long-term prepayments are presented below.

OTHER LONG-TERM PREPAYMENTS AS AT 31.12.2022	as at 31.12.2022	as at 31.12.2021
Alcohol licences	5 755 676	0
Time-based services	1 966 767	433 706
Issue of bonds	358 200	412 500
Insurance	100 000	250 000
Commissions	155 761	1 211 324
Other prepayments	222 929	594 425
Total other long-term prepayments	**8 559 332**	**2 901 955**

NOTE 12.
INVENTORIES

Inventories are presented below.

INVENTORIES AS AT 31.12.2022	as at 31.12.2022	as at 31.12.2021
Merchandise	998 661 275	955 912 870
Total inventories, including:	**998 661 275**	**955 912 870**
- carrying value of stocks disclosed at fair value less costs of sale		
- nominal value of inventory deposits securing payments of liabilities	178 000 000	178 000 000

ALLOWANCE FOR INVENTORIES IN THE PERIOD FROM 01.01. TO 31.12.2022	for the period from 01.01.2022 to 31.12.2022	for the period from 01.01.2021 to 31.12.2021
Opening balance	**24 959 185**	**20 368 770**
- increase in the allowance during the period *	0	4 590 415
- write-offs during the period *	(8 538 583)	0
Closing balance	**16 420 602**	**24 959 185**

** net value*

NOTE 13.
TRADE AND OTHER RECEIVABLES

Trade and other receivables are presented below.

TRADE RECEIVABLES AND OTHER RECEIVABLES AS AT 31.12.2022	as at 31.12.2022	as at 31.12.2021
Trade receivables	**1 214 176 548**	**995 839 265**
Receivables from clients	805 521 021	609 318 798
Receivables from suppliers	329 679 718	329 704 133
Receivables from franchisees *	15 041 727	16 763 774
Franchise fees	1 395 850	2 947 042
Other trade receivables	89 068 144	75 605 074
Estimated credit losses	(26 529 912)	(38 499 556)
Current tax assets	**29 938 565**	**0**
Other receivables	**56 215 382**	**83 241 466**
VAT settlements	30 309 673	59 330 621
Receivables subject to legal proceedings	47 338 425	53 893 165
Allowance for other bad debts	(46 612 491)	(52 463 049)
Receivables from sales fixed assets	1 366 358	2 499 383
Receivables from employees	485 332	306 341
Receivables from insurance	32 892	91 957
Other receivables	23 295 194	19 583 048
Total receivables, including:	**1 300 330 495**	**1 079 080 731**
- long-term	0	0
- short-term	1 300 330 495	1 079 080 731

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

As at 31 December 2022 (values as at 31 December 2021 are given in brackets), receivables covered by factoring reduce the total amount of trade receivables in the amount of: "programme 1" - PLN 15.0

(16.8) million, "programme 2 " – PLN 115.1 (145.1) million and “programme 3” – PLN 6.5 (4.4) million. The amounts reducing the receivables were credited to the Company's bank accounts and recognized in cash. Receivables factoring programs used by the Company are characterized by different conditions due to their specific features: "programme 1" - it is used to extend financing for franchisees of the Company, which receives funds in the full amount of the debt on the day falling on the due date, "programme 2" – allows the company to receive cash in connection with the assignment of receivables of a selected portfolio of receivables, “programme 3” – discounts all invoices of a selected, one customer of the Group at 100% of their value. Only in "programme 2" the cash on the account is lower than the value of receivables presented for assignment to the factor, the value of which as at 31 December 2022 amounted to PLN 231.0 million (PLN 172.7 million). In the Company's judgment, the Company neither transfers nor retains substantially all the risks and rewards of ownership of the transferred asset and retains control (given the factor's impracticability to sell the insured receivables) over the transferred asset and therefore recognizes transferred asset to the extent it maintains involvement in it, i.e. in the amount of the difference between the value of the transferred portfolio and the amount paid by the factor.

NOTE 14.
OTHER SHORT-TERM FINANCIAL ASSETS

Short-term financial assets are presented below.

OTHER SHORT-TERM INVESTMENTS AS AT 31.12.2022	as at 31.12.2022	as at 31.12.2021
Other short-term investments		0
Loans granted to subsidiaries	0	1 600 000
Receivables due to security instruments	6 404 074	13 760 196
Total other short-term investments	**6 404 074**	**15 360 196**

NOTE 15.
SHORT-TERM PREPAYMENTS

Short-term prepayments are presented below.

SHORT-TERM PREPAYMENTS AS AT 31.12.2022	as at 31.12.2022	as at 31.12.2021
IT services	3 496 944	1 653 479
Alcohol licences	6 539 331	6 424 732
Rentals	839 577	4 269 940
Insurances	2 675 846	2 532 997
Time-based services	3 800 664	0
Commissions	2 577 923	2 954 839
Other short-term prepayments	7 120 654	5 547 290
Total other short-term prepayments	**27 050 938**	**23 383 276**

NOTE 16.
CASH AND CASH EQUIVALENTS

Cash and cash equivalents are presented below.

CASH AND CASH EQUIVALENTS AS AT 31.12.2022	as at 31.12.2022	as at 31.12.2021
Cash at bank	2 456 853	347 444
Cash on hand	1 336 671	1 329 122
Cash in transit	37 524 798	15 545 690
Cash on short-term deposits	0	8 522
Cash restricted to use	4 429 604	2 023 464
Money vouchers	7 000	3 330
Others	5 000	5 000
Total cash	**45 759 926**	**19 262 571**

Cash restricted touse means cash on VAT accounts that amounted to PLN 4,429,604 as at 31 December 2022 (PLN 2,023,464 as at 31 December 2021).
Restrictions on the disposal of cash on VAT accounts do not affect the classification as "cash and cash equivalents".

NOTE 17.
SHAREHOLDERS' EQUITY

Share capital

Share capital is presented below.

SHARE CAPITAL AS AT 31.12.2021	as at 31.12.2022	as at 31.12.2021
Number of shares	139 163 286	139 163 286
Nominal value (PLN / share)	1	1
Share capital	**139 163 286**	**139 163 286**

As at 31 December 2021, share capital consisted of 139,163,286 ordinary shares, including:
- 127,742,000 A series ordinary bearer shares with the nominal value of 1 PLN each,
- 3,035,550 B series ordinary bearer shares with the nominal value of 1 PLN each,
- 2,929,550 C series ordinary bearer shares with the nominal value of 1 PLN each,
- 830,000 D series ordinary bearer shares with the nominal value of 1 PLN each,
- 1,414,900 E series ordinary bearer shares with the nominal value of 1 PLN each,
- 537,636 F series ordinary bearer shares with the nominal value of 1 PLN each,
- 997,000 G series ordinary bearer shares with the nominal value of 1 PLN each,
- 941,000 H series ordinary bearer shares with the nominal value of 1 PLN each,
- 253,000 I series ordinary bearer shares with the nominal value of 1 PLN each,
- 482.650 M series ordinary bearer shares with the nominal value of 1 PLN each.

The structure of shareholders with more than 5% of the total number of votes at the General Meeting of Shareholders of Eurocash S.A. is presented below:

	31.12.2022				31.12.2021			
Shareholder	Number of shares	Share in capital (%)	Number of votes	Share in total number of votes (%)	Number of shares	Share in capital (%)	Number of votes	Share in total number of votes (%)
Luis Amaral (directly and indirectly by Politra B.V.)	61 287 778	44,04%	61 287 778	44,04%	61 287 778	44,04%	61 287 778	44,04%

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

- Western Gate Private Investments Ltd. with its registered office in Great Britain, whose only shareholder is Portugese Private Investment Ltd. with its registered office in Great Britain, whose only partner is Luis Amaral.

Luis Amaral, through Politra B.V., a company he controls, s.a.r.l. (as the legal successor of Politra B.V.), 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.

The following changes occurred within the structure of share capital:

SHARE CAPITAL IN THE PERIOD FROM 01.01 TO 31.12.2022	for the period from 01.01.2022 to 31.12.2022	for the period from 01.01.2021 to 31.12.2021
Share capital at the beginning of the period	**139 163 286**	**139 163 286**
Increase of share capital in the period	**0**	**0**
Incentive programs for employees	0	0
Share capital at the end of the period	**139 163 286**	**139 163 286**

Capital due to hedging transactions

The capital from the valuation of hedging instruments is related to the applied hedges of the *Interest Rate Swap* and amounted to PLN - 4.378.310 as at 31 December 2022 and PLN 9.564.857 as at 31 December 2021, taking into account the deferred income tax effect. The change in the valuation in the reporting period is related to the change in market interest rates and was fully recognized in equity due to the documentation in place establishing the relationship between the hedged item and the hedging instrument and the full effectiveness of the hedge

Profit disposal

By Resolution No. 5 of 30.06.2022, the Ordinary General Meeting of Eurocash S.A. decided to distribute the net profit for 2021 in the amount of PLN 137,013,492 in such a way that the entire net profit will be transferred to the Company's reserve capital.

NOTE 18.
PROVISIONS AND ACCRUALS

Provisions and accruals are presented below

PROVISIONS AND ACCRUALS IN THE PERIOD FROM 01.01 TO 31.12.2022	Employee benefits	Accrual for costs of transport	Accrual for advertising costs	Court cases, potential disputes	Accrual for rental costs	Accrual for costs of media	Other	**Razem**
Provisions and accruals as at 01.01.2021	**97 266 884**	**8 774 310**	**7 880 549**	**32 376 721**	**7 711 832**	**9 659 708**	**107 645 902**	**271 315 905**
Increases*	12 126 843	4 972 045	5 812 593	0	12 519 481	4 586 204	0	**40 017 167**
Decreases*	(13 028 745)		0	(1 112 761)	0	0	(21 377 378)	**(35 518 884)**
Provisions and accruals as at 31.12.2021, including:	**96 364 982**	**13 746 355**	**13 693 142**	**31 263 960**	**20 231 313**	**14 245 912**	**86 268 524**	**275 814 187**
- short-term	92 123 119	13 746 355	13 693 142	31 263 960	20 231 313	14 245 911	86 268 525	**271 572 324**
- long-term	4 241 863	0	0	0	0	0	0	**4 241 863**
								0
Provisions and accruals as at 01.01.2022	**96 364 982**	**13 746 355**	**13 693 142**	**31 263 960**	**20 231 313**	**14 245 912**	**86 268 524**	**275 814 187**
Increases*	7 108 867	0	0	0	0	10 388 472	0	**17 497 338**
Decreases*	(516 765)	(142 382)	(8 238 589)	(18 972 669)	(900 923)	0	929 810	**(27 841 518)**
Provisions and accruals as at 31.12.2022, including:	**102 957 084**	**13 603 973**	**5 454 553**	**12 291 291**	**19 330 390**	**24 634 383**	**87 198 334**	**265 470 008**
- short-term	99 231 986	13 603 973	5 454 553	12 291 291	19 330 390	24 634 383	87 198 334	**261 744 910**
- long-term	3 725 098	0	0	0	0	0	0	**3 725 098**

** net value*

PROVISIONS AS AT 31.12.2022	as at 31.12.2022	as at 31.12.2021
Employee benefits	3 725 098	4 241 863
Current employee benefits	99 231 986	92 123 119
Accrual for advertising costs	5 854 553	13 693 142
Accrual for intrests	10 425 014	6 088 303
Accrual for costs of media	24 634 383	14 245 911
Accrual for ligitations	6 157 131	19 550 812
Accrual for advisory and audit	13 603 973	13 746 355
Accrual for costs of transport	19 330 390	20 231 313
Accrual for rental costs	643 285	656 226
Accrual for agent's commisions	1 994 515	2 372 689
Rezerwa na ubezpieczenia	3 784 436	2 052 953
Accural for IT modernist works	3 830 000	0
Accrual for concessions	2 175 291	2 190 676
Court cases, potential disputes	13 096 191	32 068 860
Other provisions and accruals	56 983 762	52 551 965
PROVISIONS TOTAL	**265 470 008**	**275 814 187**
- long-term	3 725 098	4 241 863
- short-term	261 744 910	271 572 324

Provisions and liabilities for employee benefits

Provisions and liabilities for employee benefits include provision for retirement, disability and post-mortem benefits in amount of PLN 4.422.934 (the remaining part mainly consists of salaries payable and provisions for holidays and provision for bonuses).

Provision for retirement benefits was calculated by an actuary. Actuarial valuation accounted for such items as: discount rate of 6.7%, 2,5% wage increase. The amount of 3.725.098 PLN was presented as long-term portion of provision.

Provision for costs of advertising and marketing

Provision for advertising and marketing costs includes mainly provisions related to payments for marketing services provided by clients.

It is expected that these provisions will be realized within 12 months after 31 December 2022.

Provision for interest

The provision applies to estimated costs associated with outstanding liabilities past due as at 31 December 2022.

The provision is expected to be realized within 12 months after 31 December 2022.

NOTE 19.
TRADE AND OTHER PAYABLES

Trade and other payables are presented below.

TRADE AND OTHER PAYABLES AS AT 31.12.2022	as at 31.12.2022	as at 31.12.2021
Trade payables	**3 168 902 792**	**2 800 868 535**
Payables due to purchase of goods	3 033 516 536	2 686 326 533
- including: supplier financing program	*649 812 727*	*1 113 580 999*
Payables due to services received	133 528 287	113 213 770
Payables due to reversal of remuneration	1 857 969	1 328 232
Current tax liabilities	**0**	**6 382 004**
Other payables	**190 429 372**	**199 974 064**
Liabilities due to purchases of assets	5 367 514	15 337 267
Liabilities due to social securities	31 694 113	26 880 515
Liabilities due to taxes and insurances	5 675 352	19 301 278
Liabilities from deposit	15 493 369	15 497 004
Liabilities for the purchase of the Duży Ben trademark	0	17 958 000
Liabilities - financial guarantee *	130 000 000	105 000 000
Other payables	2 199 023	0
Total payables, including:	**3 359 332 164**	**3 007 224 602**
- long-term	15 493 369	15 497 004
- short-term	3 343 838 794	2 991 727 599

* due to the guarantee granted by Eurocash S.A. for Kontigo Sp. z o.o.

Eurocash made the assessment of the liabilities covered by reverse factoring and based on this judgment classified the liabilities due to the so-called reverse factoring. reverse factoring as a liability for deliveries and services, because in connection with the handing over of the factoring commitments, there were no significant changes in the nature of these liabilities, in particular significant changes to the terms of payment. As part of the balance of trade liabilities as at 31 December 2022, the value of balances covered by the vendor financing program in the amount of PLN 649.812.727 was included, while as at 31 December 2021, the respective balance amounted to PLN 1.113.580.999.

NOTE 20.
LOANS AND BORROWINGS

As at 31.12.2022, the Company has credit lines in the total amount of PLN 1.093 million provided by 9 banks (including 3 syndicate banks). These limits were used as at the balance sheet date in the amount of PLN 644,7 million. Additionally, the Company used loans taken out within the Group in the amount of PLN 113,1 million under a cash pooling agreement. Detailed information on credits and loans is presented in the table below.

LOANS AND CREDITS AS AT 31 DECEMBER 2022

Credits	Credit destination	Liability amount	Interest rate
Group Entities	Loans within the Group under the cash pooling agreement	102 634 892	WIBOR + bank's margin
Bank 1	Loan for financing current activity	196 020 000	WIBOR + bank's margin
Bank 2	Loan for financing current activity	75 000 000	WIBOR + bank's margin
Banks syndicate	Overdraft for financing of current activities	300 000 000	WIBOR + bank's margin
Bank 3	Overdraft for financing of current activities	5 625 224	WIBOR + bank's margin
Bank 4	Overdraft for financing of current activities	4 879 586	WIBOR + bank's margin
Bank 5	Overdraft for financing of current activities	222 409	WIBOR + bank's margin
Bank 7	Overdraft for financing of current activities	43 954 672	WIBOR + bank's margin
Bank 8	Overdraft for financing of current activities	19 024 169	WIBOR + bank's margin
Total loans and credits		**747 360 953**	
- long-term		160 400 000	
- short-term		586 960 953	

Total loan costs in 2022 amounted to PLN 62.401.600.

LOANS AND CREDITS AS AT 31 DECEMBER 2021

Credits	Credit destination	Liability amount	Interest rate
Group Entities	Loans within the Group under the cash pooling agreement	290 656 107	WIBOR + bank's margin
Bank 1	Loan for financing current activity	213 840 000	WIBOR + bank's margin
Bank 2	Loan for financing current activity	75 000 000	WIBOR + bank's margin
Banks syndicate	Loan for financing current activity	375 000 000	WIBOR + bank's margin
Bank 3	Loan for financing current activity	41 368 560	WIBOR + bank's margin
Bank 4	Loan for financing current activity	31 102 547	WIBOR + bank's margin
Bank 5	Loan for financing current activity	186 498	WIBOR + bank's margin
Total		**1 027 153 712**	
- long-term		571 020 000	
- short-term		456 133 712	

Total loan costs in 2021 amounted to PLN 20.631.295.

The Going Concern section describes the most important changes in the financing method that took place in 2022.

An important element of intra-group financing are two liquidity management programs ("Cash pool"), the purpose of which is to effectively manage common financial liquidity within a group of accounts. Both systems are based on a balance reset mechanism, which consists in transferring, at the end of the working day, positive and negative balances from individual current accounts to the main account of the program leader (Eurocash S.A.) per balance. This operation is reversed at the beginning of each working

day. Interest on the balance on the program leader's main account is calculated on the last day of each calendar month.

On 2 February 2009 companies from the Eurocash Group signed a liquidity management agreement in the form of daily loans with Bank ING Bank Śląski S.A.
Each of the Group's companies has a separate current account. Eurocash S.A. plays a managerial role in the structure, i.e. keeps two accounts:

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

On 14 October 2016, companies from the Eurocash Group signed an additional agreement for operating a cash management system for a group of accounts with Santander Bank Polska S.A.
Each of the Group's companies has a separate current account. Eurocash S.A. plays a management role in the structure, i.e. keeps three accounts: an account for current settlements, as well as an auxiliary account and a pool leader's account used for purposes related to the functioning of the system.
In accordance to the credit agreements, the Company is obliged to maintain certain financial ratios at a defined level and to engage in business activities within the framework prescribed in the agreements. The list of sureties is included in the note 34.

NOTE 21.
OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented below.

FINANCIAL LIABILITIES AS AT 31.12.2021	as at 31.12.2022	as at 31.12.2021
Liabilities arising from the issue of bonds	125 000 000	125 000 000
Liabilities related to financing of franchisees *	15 041 727	16 763 774
Valuation of hedging instruments*	6 074 826	0
FINANCIAL LIABILITIES TOTAL	**146 116 553**	**141 763 774**
- long-term	131 074 826	125 000 000
- short-term	15 041 727	16 763 774

* *liabilities due to financing franchisees relate to factoring agreements with recourse to trade receivables.*

Details in Going Concern in pt. 2.1.7

The basic conditions of this issue are presented in the table below:

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

The fair value of the bonds as at 31.12.2022 is PLN 123 161 899.

NOTE 22.
LEASE LIABILITIES

LEASE AS AT 31.12.2022	as at 31.12.2022	as at 31.12.2022	as at 31.12.2021	as at 31.12.2021
Future minimum lease payments due to lease agreements	minimum fees	present value of minimum lease payments	minimum fees	present value of minimum lease payments
Less than one year	189 004 149	186 395 524	176 292 276	174 207 854
Between one and five years	525 655 956	471 793 067	530 890 745	494 325 839
More than five years	242 853 660	181 838 109	299 213 243	227 557 207
Total future minimum lease payments due to llease agreements	**957 513 766**	**840 026 700**	**1 006 396 264**	**896 090 901**
Finance costs	117 487 066	X	110 305 364	X
Present value of minimum lease payments due to lease agreements	**840 026 700**	**840 026 700**	**896 090 901**	**896 090 901**

NOTE 23.
INCOME TAX

Income tax for the reporting period is presented below.

INCOME TAX FOR THE PERIOD FROM 01.01 TO 31.12.2022 (main components)	for the period from 01.01.2022 to 31.12.2022	for the period from 01.01.2021 to 31.12.2021
Income statement		
Current income tax	(22 513 831)	(33 393 268)
Deferred tax	(16 240 358)	(3 999 301)
Total income tax	**(38 754 189)**	**(37 392 569)**

TAX RECONCILIATION FOR THE PERIOD FROM 01.01 TO 31.12.2022	for the period from 01.01.2022 to 31.12.2022	for the period from 01.01.2021 to 31.12.2021
Profit before tax	**209 982 549**	**174 406 061**
Income tax calculated base on 19% income tax rate	(39 896 684)	(33 137 152)
Tax impact of permanent differences between the gross profit and tax base	0	(15 200 000)
Negative temporary differences, for which the deferred tax asset was recognized in current year	0	(15 200 000)
Negative temporary differences not passing through the current tax	(24 242 877)	(4 551 886)
Negative temporary differences not passing through current tax	15 599 020	0
Positive temporary differences not passing through current tax	(8 298 423)	0
Adjustment of current tax of previous years	(2 165 876)	(482 748)
Balance revenues other than tax income	5 848 178	0
Tax costs not being balance costs	0	37 667
Tax effect of dividend from EC Group entities	14 373 123	31 182 169
Other differences	29 352	(40 620)
Income tax in income statement	**(38 754 189)**	**(37 392 570)**
Effective tax rate	18,46%	21,44%

UNCERTAINTY CONNECTED WITH TAX SETTLEMENTS

Regulations regarding value added tax, corporate income tax and social security charges are subject to frequent changes. These frequent changes result in a lack of appropriate benchmarks, inconsistent interpretations, and few established precedents that could apply. The applicable regulations also contain ambiguities that cause differences in opinions as to the legal interpretation of tax regulations, both between state authorities and enterprises.

Tax settlements and other areas of activity (e.g. customs or foreign exchange issues) may be subject to inspection by authorities that are authorized to impose high penalties and fines, and any additional tax liabilities resulting from the decisions of these authorities must be paid together with high interest. These conditions make it a tax risk in Poland is higher than in countries with a more mature tax system. As a consequence, the amounts presented and disclosed in the financial statements may change in the future as a result of the final decision of the authority.

In previous reporting periods, the Company carried out transactions and participated in restructuring processes that may be subject to analyzes and inspections by tax authorities.
On 15 July 2016, the amendments to the Tax Ordinance entered into force in order to take into account the provisions of the General Anti-Avoidance Rule (GAAR). GAAR is to prevent the creation and use of artificial legal structures created to avoid paying tax in Poland. Currently, GAAR defines tax avoidance as an activity whose main or one of the main goals was to achieve a tax advantage, contrary in the given circumstances to the object or purpose of the tax act or its provisions. According to GAAR, such an activity does not result in a tax advantage if the method of operation was artificial. Occurrence of e.g. (i) unjustified splitting of operations, (ii) engaging intermediaries despite the lack of economic or economic justification, (iii) mutually canceling or compensating elements, and (iv) other activities without economic substance, may be treated as a premise for the existence of artificial activities subject to the provisions of GAAR . The new regulations require much greater judgment as to the economic content of transactions when assessing the tax consequences of individual transactions.
The GAAR clause should be applied to transactions made after its entry into force and to transactions that were carried out before the entry into force of the GAAR clause, but for which benefits were or are still being obtained after the date of entry into force of the clause. The implementation of the above provisions makes it possible to question the tax consequences of legal arrangements and agreements implemented by taxpayers, such as group restructuring and reorganization.
The Group recognizes and measures current and deferred tax assets or liabilities using the requirements of IAS 12 Income tax based on profit (tax loss), tax base, unsettled tax losses, unused tax credits and tax rates, taking into account the assessment of uncertainties related to settlements tax. When there is uncertainty as to whether and to what extent the tax authority will accept individual tax settlements of transactions, the Group recognizes these settlements taking into account the uncertainty assessment.

On 19 June 2017, Eurocash S.A. a report on the audit of tax books for 2011 was provided, in which the possibility of making depreciation write-offs on certain values of proprietary copyrights was questioned, which amounted to approx. PLN 41 million in the audited period. On 5 July 2017, the Company submitted reservations to the minutes.
On 28 September 2017, the Head of the Wielkopolska Customs and Tax Office in Poznań issued a decision for Eurocash S.A., in which he stated that the Company understated the tax liability for 2011 in the amount of approximately PLN 8 million in the indicated case. Based on the legal and tax analysis conducted by external experts, on 17 October 2017, the Company filed an appeal against this decision. It indicates a number of arguments proving the correctness of the tax settlements made by the Company, including confirmation of the correctness of the settlements through the obtained positive interpretations of the tax law.
By decision of 19 March 2019, the Director of the Tax Administration Chamber in Poznań, after considering the appeal of Eurocash S.A., repealed the above-mentioned decision of the Head of the Wielkopolska Customs and Tax Office in Poznań in its entirety and referred the case for reconsideration. On 22 April 2022 as a result of re-examination of the case, the Head of the Wielkopolska Customs and Tax Office in Poznań, after carrying out the control proceedings in accordance with the decision of the Director of the Tax Control Office in Poznań. stated that the tax liability was underestimated by PLN 2.5 million. The Company filed an appeal against the above-mentioned decision on 19 May 2022, and then on 14 June 2022 it received information about the transfer of the appeal to the Director of the Tax Chamber and the position of the authority in relation to the appeal submitted by the Company. Subsequently, the company received a decision from the authority setting a new date for settling the

case, which was set for 23 November 2022. On 3 November 2022. The company paid a tax liability of PLN 4.9 million (including PLN 2.5 million principal and PLN 2.4 million interest). On 21 November 2022. The company received the decision issued on 15 November 2022, which upholds the decision of the first instance authority. Company on 21 December 2022. filed a complaint against this decision, requesting that the contested decision be annulled in its entirety and that the proceedings be discontinued.
On 28 February 2018, the Head of the Wielkopolska Customs and Tax Office in Poznań initiated an inspection in the field of corporate income tax for 2016. On 8 April 2022. The head of the Wielkopolska Customs and Tax Office in Poznań issued a decision
on the transformation of customs and tax control into tax proceedings. Then, on 24 May 2022, the authority issued a decision specifying the corporate income tax liability for 2016 in the amount of PLN 8,427,395.00. The company filed an appeal against the above-mentioned decision.
On 21 June 2022, the Company then received decisions from the authority setting a deadline for settling the case. On 26 October 2022. The company received decisions setting a 7-day deadline to comment on the collected evidence, to which it replied on 2 November 2022. On 3 November 2022. The company paid a tax liability of PLN 9 million (including PLN 5.5 million principal and PLN 3.5 million interest). On 25 November 2022. The company received the decision issued on 21 November 2022, which upholds the decision of the first instance authority. Company on 22 December 2022. filed a complaint against this decision, requesting that the contested decision be annulled in its entirety and that the proceedings be discontinued.

On 17 December 2019, the Head of the Wielkopolska Customs and Tax Office in Poznań initiated a customs and tax inspection in the field of corporate income tax for 2014 and 2015.
On 3 December 2020, the Head of the Wielkopolska Customs and Tax Office in Poznań issued a decision in which he determined the corporate income tax liability for 2014 in the amount of approx. PLN 11.3 million. The head of the Wielkopolska Customs and Tax Office in Poznań thus stated that Eurocash S.A. understated o the amount of PLN 5.5 million of tax due in the corporate income tax resulting from overstatement of tax deductible costs from the amortization of trademarks in the amount of PLN 28.8 million, which is a consequence of incorrect - overestimated for tax purposes - valuation of the initial value of intangible assets and legal (trademarks). In response to the above-mentioned decision, on 5 February 2021 and 15 April 2021, the Company filed an appeal against the decision. The authority conducts explanatory proceedings and therefore sets new deadlines for settling the case. On 28 October 2022. The company received a decision specifying the corporate income tax liability for 2014, thus upholding the decision of the first instance authority. On 3 November 2022. The company paid a tax liability of PLN 8.6 million (including PLN 5.5 million principal and PLN 3.1 million interest). On 28 November 2022. The company filed a complaint against the decision of the Head of the Wielkopolskie Customs and Tax Office in Poznań, requesting that the contested decision be annulled in its entirety and that the proceedings be discontinued. On 8 February 2023. The Company received a notice of a hearing in the case filed by the Company against the decision of the authority, the deadline for which is 8 March 2023.
The Head of the Wielkopolska Customs and Tax Office in Poznań, having conducted tax proceedings based on the decision of the Head of the Wielkopolska Customs and Tax Office in Poznań of 21 April 2021, on the transformation of the customs and tax inspection into tax proceedings in the field of corporate income tax for 2015, issued on 23 June 2021, decisions specifying the corporate income tax liability for 2015 in the amount of approx. PLN 22.5 million. The head of the Wielkopolska Customs and

Tax Office in Poznań thus stated that Eurocash S.A. understated o the amount of PLN 5.5 million of tax due in the corporate income tax resulting from the overstatement of tax deductible costs from the amortization of trademarks in the amount of PLN 28.8 million, which is a consequence of incorrect - overestimated for tax purposes - valuation of the initial value of intangible assets and (trademarks). In response to the above-mentioned decision, on 21 July 2021, the Company filed an appeal.

In connection with the inspection, the Company created provisions which were recognized in previous reporting periods. The authority conducts explanatory proceedings and therefore sets new deadlines for settling the case. On 28 October 2022. The company received a decision specifying the corporate income tax liability for 2015, thus upholding the decision of the first instance authority. On 3 November 2022. The company paid a tax liability of PLN 8.2 million (including PLN 5.5 million principal and PLN 2.7 million interest). On 28 November 2022. The company filed a complaint against the decision of the Head of the Wielkopolskie Customs and Tax Office in Poznań, requesting that the contested decision be annulled in its entirety and that the proceedings be discontinued. On 8 February 2023. The Company received a notice of a hearing in the case filed by the Company against the decision of the authority, the deadline for which is 8 March 2023.

In connection with the adjustment of the business model of the Eurocash Group, starting from 2021, Duży Ben acts as a distributor with limited risks and Eurocash S.A. the role of the central entity. Eurocash S.A. as the central entity is responsible for managing the core activities of Duży Ben, such as developing the distribution concept, strategy and network development, selection of suppliers, provision of support services and the owner of significant intangible assets (trademarks). Duży Ben is responsible for the sale of goods purchased from suppliers indicated by Eurocash S.A. on the Polish market (including company Eurocash S.A.), which purchases them from producers or other wholesale distributors, and then sells the goods on the market to consumers. Additionally, Duży Ben implements the strategy formulated by Eurocash S.A. The above action is aimed at ensuring the market level of profitability, taking into account the functions performed, assets involved and risk incurred. At the same time, on 29 December 2021, Eurocash S.A. applied for an advance pricing agreement under the Act of 16 October 2019 on resolving double taxation disputes and concluding advance pricing agreements in this regard, in order to reduce tax risk.

In addition, all risks and liabilities of the Company have been settled and recognized in the financial statements.

NOTE 24.
DEFERRED TAX

Deferred tax is presented below.

DEFERRED TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022

	Statement of financial position		Income statement		Statement of other comprehensive income	
	as at	as at	for the period	for the period	for the period	for the period
	31.12.2022	31.12.2021	from 01.01.2022 to 31.12.2022	from 01.01.2021 to 31.12.2021	from 01.01.2022 to 31.12.2022	from 01.01.2021 to 31.12.2021
Deferred tax liabilities						
- difference between tax and carrying amount of fixed assets	74 091 460	71 057 519	3 033 942	8 376 843	0	0
- not invoiced income	43 396 758	36 080 683	7 316 074	(3 025 972)	0	0
- revenues from accrued interests	1 054 584	2 685 801	(1 631 218)	1 473 239	0	0
- other	182 033	287 128	(105 094)	(42 537)	0	0
- provision for reducing the purchase cost of EC ESP	8 298 423	0	8 298 423	0	0	0
- valuation of hedging instruments	62 557	2 652 865	0	0	(2 590 308)	2 652 865
Gross deferred tax liabilities	**127 085 816**	**112 763 996**	**16 912 127**	**6 781 572 0**	**(2 590 308)**	**2 652 865**

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022 (continued)

	Statement of financial position		Income statement		Statement of other comprehensive income	
	as at 31.12.2022	as at 31.12.2021	for the period from 01.01.2022 to 31.12.2022	for the period from 01.01.2021 to 31.12.2021	for the period from 01.01.2022 to 31.12.2022	for the period from 01.01.2021 to 31.12.2021
Deferred tax assets						
- bonuses	(4 213 681)	(2 001 579)	2 212 101	3 963 040	0	0
- allowance for inventories	3 119 915	4 742 245	1 622 331	(872 179)	0	0
- allowance for bad debts	12 303 151	14 727 455	2 424 305	5 318 649	0	0
- unpaid payroll and social securities	3 134 321	2 844 194	(290 127)	41 294	0	0
- accruals	23 928 992	23 943 472	14 479	(5 025 345)	0	0

DEFERRED INCOME TAX IN THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022 (continued)

	Statement of financial position		Income statement			Statement of other comprehensive income	
	as at	as at	for the period	for the period		for the period	for the period
	31.12.2022	31.12.2021	from 01.01.2022 to 31.12.2022	from 01.01.2021 to 31.12.2021	0	from 01.01.2022 to 31.12.2022	from 01.01.2021 to 31.12.2021
Deferred tax assets							
- expenditures due to acquisition od Partner, DC2, DC3 and DC4	141 543	141 543	0	0	0	0	0
- diference between right of use and lease liabilities	12 362 791	11 252 175	(1 110 616)	(1 440 530)		0	0
- PCC due to the acquisition	632 875	1 237 733	604 858	(771 803)		0	0
- correction of costs for unpaid liabilities	6 764 844	4 836 325	(1 928 519)	269 345		0	0
- other	4 639 855	13 272 922	8 633 067	3 265 676		0	0
- accruals	29 863 574	17 009 927	(12 853 648)	(7 530 418)		0	0
- valuation of hedging instruments	0	0	0	0		0	4 688 960
Gross deferred tax assets	**92 678 181**	**92 006 411**	**(671 769)**	**(2 782 270)**	**0**	**0**	**4 688 960**
Allowance of deferred tax asset	0	0	0	0		0	0
Deferred tax assets	**92 678 181**	**92 006 411**	**(671 769)**	**(2 782 270)**	**0**	**0**	**4 688 960**
Deferred income tax effect			**16 240 358**	**3 999 301**		**(2 590 308)**	**7 341 825**
Net deferred tax liabilities	**34 407 635**	**20 757 585**	**X**	**X**		**X**	**X**
Net deferred tax assets	**0**	**0**	**X**	**X**		**X**	**X**

NOTE 25.
SALES IN THE REPORTING PERIOD

Sales revenues are presented below.

SALE IN THE PERIOD FROM 01.01 TO 31.12.2022	from 01.01.2022 to 31.12.2022	from 01.01.2021 to 31.12.2021
Sale of goods	18 581 233 309	16 067 535 048
Sale of services	79 208 288	48 929 803
Total sale	**18 660 441 597**	**16 116 464 851**

Presentation of sales by Franchise Networks and Independent Clients.

	from 01.01.2022 to 31.12.2022	**from 01.01.2021 to 31.12.2021**
Franchise	10 301 316 955	9 066 810 640
Independent	8 279 916 354	7 000 724 408
External sales of goods	**18 581 233 309**	**16 067 535 048**

Presentation by sales to External customers and Segments as part of group transactions

	from 01.01.2022 to 31.12.2022	**from 01.01.2021 to 31.12.2021**
External sales	15 721 408 897	13 548 291 638
Wholesale	315 643 289	284 749 086
Retail	2 290 817 799	2 070 162 936
Projects	253 363 325	164 331 387
External sales of goods	**18 581 233 309**	**16 067 535 048**

The sale of goods is homogeneous.

In terms of sales of services, the main titles are revenues from services for the operation of the franchise network, franchise fees, and provision of logistics services.

NOTE 26.

COSTS BY TYPE

Costs by type are presented below.

COSTS BY TYPE IN THE PERIOD FROM 01.01 TO 31.12.2022	from 01.01.2022 to 31.12.2022	from 01.01.2021 to 31.12.2021
Depretiation	289 866 450	297 156 531
Materials and energy	149 161 016	92 491 306
External services	526 112 587	429 480 677
Taxes and charges	27 791 279	30 087 433
Salaries	673 002 051	606 329 212
Social security and other benefits	120 417 218	110 534 893
Other costs by type	40 821 353	25 467 637
Costs by type	**1 827 171 955**	**1 591 547 688**
including:		
Cost of goods sold	1 546 547 994	1 333 918 484
General and administrative expenses	280 623 960	257 629 203

NOTE 27.
OTHER OPERATING INCOMES AND EXPENSES

Other operating incomes and expenses are presented below.

OTHER OPERATING INCOME AND EXPENCES 01.01 TO 31.12.2022	from 01.01.2022 to 31.12.2022	from 01.01.2021 to 31.12.2021
Other operating income	**56 277 794**	**55 594 386**
Penalties for suppliers	4 440 735	6 702 136
Other sales	7 256 889	7 755 500
Sub-lease of premises	5 573 178	4 797 591
Profit on sales of fixed assets	0	10 978 618
Compensation received	17 720 473	2 208 768
Reversal of allowance for bad debts	2 395 413	2 176 362
Reversal of expired logistics reserves	3 639 159	0
Income related to settlements with employees	5 091 930	4 021 442
Reversal of write-off on inventories	0	1 674 844
Early termination of the lease	0	391 784
Dissolution of the reserve for alcohol licenses	0	2 121 459
Other (irrelevant individually)	10 160 016	12 765 881
Other operating expenses	**(35 637 669)**	**(8 245 533)**
Loss from disposals of property, plant and equipment	(1 401 404)	0
Costs of damages	0	(962 304)
Paid penalties	0	(238 010)
Debt forgiveness	(18 808 464)	0
Donations	(6 372 016)	(3 149 300)
Packaging costs	(2 715 675)	0
Other (irrelevant individually)	(6 340 110)	(3 895 919)
Other net operating income / expenses	**20 640 125**	**47 348 854**

NOTE 28.
FINANCE INCOMES AND COSTS

Finance incomes and costs are presented below.

FINANCE INCOME AND COSTS IN THE PERIOD FROM 01.01 TO 31.12.2022	from 01.01.2022 to 31.12.2022	from 01.01.2021 to 31.12.2021
Finance income	**131 245 465**	**195 701 483**
Revenues from discounts	8 393 559	8 653 185
Interest	34 330 092	3 493 687
Dividends	75 648 013	164 116 680
Other financial income (irrelevant individually)	12 873 800	19 437 932
Finance costs	**(208 336 083)**	**(247 381 847)**
Interest	(131 221 082)	(49 271 567)
Interest on leasing	(26 474 921)	(26 632 232)
Commissions and bank charges	(11 220 790)	(7 387 979)
Foreign exchange losses	(653 133)	(423 483)
Impairment of shares in the Group	(31 660 000)	(160 000 000)
Foreing exchange losses of lease agreements (IFRS 16)	(4 831 082)	(1 241 933)
Other financial expenses (irrelevant individually)	(2 275 076)	(2 424 653)
Net finance expenses	**(77 090 619)**	**(51 680 364)**

In 2022, over PLN 75 million of dividends were received from the following companies: Euro Sklep Sp. z o.o., (PLN 44 mln), Eurocash Serwis Sp. z o.o. (PLN 27 million), Firma Rogala Sp. z o.o. (PLN 4.5 million) and Partnerski Serwis Detaliczny S.A. (PLN 0.3 million).

In 2021, a provision was created for the financial guarantee granted by Eurocash to the Kontigo sp. z o.o. in the amount of PLN 80 million and a write-off was made on the shares in the Delikatesy Centrum sp. z o.o. in the amount of PLN 80 million. In 2022, a write-off was made on shares in PHS Sp. z o.o. w likwidacji and a provision was created for the financial guarantee granted to Kontigo in the amount of PLN 25 million.

NOTE 29.
EARNINGS (LOSS) PER SHARE

Earnings per share are presented below.

EARNINGS PER SHARE FOR THE PERIOD FROM 01.01 TO 31.12.2022	from 01.01.2022 to 31.12.2022	from 01.01.2021 to 31.12.2021
Earnings		
Profit/ (loss) for the period attributable to teh Parent's shareholders	171 228 360	137 013 492
Number of issued shares		
Weighted average number of shares	139 163 286	139 163 286
Dilution efect of potential number of shares:		
Convertible bonds	0	0
Weighted average number of shares (to calculate diluted earnings per share)	139 163 286	139 163 286
Earnings per share		
- basic	1,23	0,98
- diluted	1,23	0,98

The incentive program, at the current share price, does not cause a dilution effect.

Calculation of weighted average number of shares

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

Calculation of weighted average diluted number of shares

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

NOTE 30.
BOOK VALUE PER SHARE AS AT 31.12.2022

BOOK VALUE PER SHARE AS AT 31.12.2022	31.12.2022	31.12.2021
Book value	1 462 886 444	1 301 747 006
Number of shares (excl. treasury shares)	139 163 286	139 163 286
Diluted number of shares	139 163 286	139 163 286
Book value per share	10,51	9,35
Diluted book value per share	10,51	9,35

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

NOTE 31.
TRANSACTIONS WITH SUBSIDIARIES

No significant non-arm's length transactions with subsidiaries took place in 2022.

Trade receivables	31.12.2022	31.12.2021
Delikatesy Centrum Sp. z o.o.	123 505 768	106 885 778
Firma Rogala Sp. z o.o.	31 127 084	28 589 831
Eurocash Serwis Sp. z o.o.	30 632 181	26 442 471
FHC-2 Sp. z o.o.	14 328 440	11 329 975
Arhelan Sp. z o.o.	8 032 397	0
Delikatesy Rogala Sp. z o.o.	6 270 350	4 080 549
Frisco S.A.	3 595 892	3 189 938
Eurocash Trade 1 Sp. z o.o.	3 299 095	3 419 389
Eurocash Franczyza Sp. z o.o.	3 153 230	2 334 553
Podlaskie Delikatesy Centrum Sp. z o.o.	2 380 130	2 160 420
ABC na kołach Sp. z o.o.	2 332 539	1 166 399
Madas Sp. z o.o.	2 199 066	1 371 781
Lewiatan Holding S.A.	905 450	1 061 709
Polska Dystrybucja Alkoholi Sp. z o.o.	557 016	281 195
Lewiatan Śląsk Sp. z o.o.	527 764	498 664
Innowacyjna Platforma Handlu Sp. z o.o.	472 478	510 920
Lewiatan Kujawy Sp. z o.o.	421 559	332 792
Inmedio Sp. z o.o.	384 300	165 963
Lewiatan Północ Sp. z o.o.	362 615	433 230
Lewiatan Podlasie Sp. z o.o.	269 277	260 997
Lewiatan Podkarpacie Sp. z o.o.	250 745	225 345
Lewiatan Wielkopolska Sp. z o.o.	246 818	296 872
Kontigo Sp. z o.o.	236 646	273 631
Eurocash Sieci Partnerskie Sp. z o.o.	197 853	201 316
Lewiatan Zachód Sp. z o.o.	189 500	405 020
Ambra Sp. z o.o.	140 284	486 205
Lewiatan Orbita Sp. z o.o.	134 400	227 257
Lewiatan Opole Sp. z o.o.	132 475	287 957
Detal Finanse Sp. z o.o.	82 489	84 406

Akademia Umiejętności Eurocash Sp. z o.o.	78 753	71 745
EKO Holding S.A. w likwidacji	35 029	0
Partner Sp. z o.o.	31 800	249 194
Eurocash Nieruchomości Sp. z o.o.	18 906	1 169
4vapers Sp. z o.o.	6 620	10 797
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o. w likwidacji	5 532	7 696
Eurocash VC3 Sp. z o.o.	4 395	1 033
Delikatesy Rogala Obszar II Sp. z o.o.	1 429	634
Delikatesy Rogala Obszar III Sp. z o.o.	1 429	634
Delikatesy Rogala Obszar IV Sp. z o.o.	1 429	634
Gama Detal Sp. z o.o.	600	0
ABC Sp. z o.o.	517	517
Duży Ben Sp. z o.o.	23 265 571	15 425 477
Cerville Investments Sp. z o.o.	42 366	60 887
Euro Sklep Sp. z o.o.	0	46 457
Premium Distributors Sp. z o.o.	0	3 418
Total	**259 862 216**	**212 884 855**

Other receivables	**31.12.2022**	**31.12.2021**
Eurocash Serwis Sp. z o.o.	2 349 543	1 130 112
Eurocash Franczyza Sp. z o.o.	2 348 611	6 584 259
Lewiatan Podlasie Sp. z o.o.	686 080	10 124
Duży Ben Sp. z o.o.	586 964	74 076
Delikatesy Centrum Sp. z o.o.	573 497	40 120
Lewiatan Holding S.A.	546 795	366 227
Innowacyjna Platforma Handlu Sp. z o.o.	327 709	458 000
Eurocash Sieci Partnerskie Sp. z o.o.	298 608	7 309
Lewiatan Śląsk Sp. z o.o.	190 914	189 397
Frisco S.A.	176 557	0
Kontigo Sp. z o.o.	168 477	28 217
Lewiatan Północ Sp. z o.o.	119 361	65 122
Eurocash Nieruchomości Sp. z o.o.	108 371	0
Lewiatan Kujawy Sp. z o.o.	108 099	58 839
Ambra Sp. z o.o.	84 111	24 166
Cerville Investments Sp. z o.o.	83 867	2 706
FHC-2 Sp. z o.o.	76 052	0
Lewiatan Orbita Sp. z o.o.	72 557	25 764
Detal Finanse Sp. z o.o.	56 393	4 982
ABC na kołach Sp. z o.o.	52 253	31 365
Lewiatan Zachód Sp. z o.o.	50 553	70 342
Podlaskie Delikatesy Centrum Sp. z o.o.	50 025	15
Madas Sp. z o.o.	45 097	0
Lewiatan Opole Sp. z o.o.	44 716	43 755
Akademia Umiejętności Eurocash Sp. z o.o.	44 438	415
Lewiatan Wielkopolska Sp. z o.o.	40 148	107 692
Lewiatan Podkarpacie Sp. z o.o.	35 388	8 753
4vapers Sp. z o.o.	20 148	0
EKO Holding S.A. w likwidacji	19 950	3 848
Eurocash Trade 1 Sp. z o.o.	19 741	2 879
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o. w likwidacji	19 195	0

ABC Sp. z o.o.	3 843	0
Euro Sklep Sp. z o.o.	0	3 527
Total	**9 408 062**	**9 342 009**

Trade payables	**31.12.2022**	**31.12.2021**
Duży Ben Sp. z o.o.	108 638 978	34
Lewiatan Holding S.A.	50 788 384	35 777 431
Eurocash Franczyza Sp. z o.o.	14 198 177	11 566 452
Eurocash Serwis Sp. z o.o.	8 506 030	7 303 400
Innowacyjna Platforma Handlu Sp. z o.o.	7 949 286	3 529 762
Cerville Investments Sp. z o.o.	6 903 950	7 265 179
Detal Finanse Sp. z o.o.	4 512 343	0
Eurocash Sieci Partnerskie Sp. z o.o.	4 093 557	1 284 765
Lewiatan Kujawy Sp. z o.o.	1 945 564	1 460 604
Lewiatan Śląsk Sp. z o.o.	1 842 132	1 504 242
Lewiatan Opole Sp. z o.o.	1 194 194	1 040 143
Lewiatan Podlasie Sp. z o.o.	1 117 634	767 377
Lewiatan Wielkopolska Sp. z o.o.	1 069 294	860 501
Kontigo Sp. z o.o.	1 035 412	33 649
FHC-2 Sp. z o.o.	1 025 812	88 538
Lewiatan Północ Sp. z o.o.	1 021 324	802 133
Delikatesy Centrum Sp. z o.o.	1 014 870	1 533 811
Firma Rogala Sp. z o.o.	766 230	777 695
Lewiatan Zachód Sp. z o.o.	599 683	563 299
Lewiatan Orbita Sp. z o.o.	597 231	554 133
Lewiatan Podkarpacie Sp. z o.o.	527 855	446 965
EKO Holding S.A. w likwidacji	487 317	0
Ambra Sp. z o.o.	429 532	0
Akademia Umiejętności Eurocash Sp. z o.o.	391 077	8 708
Delikatesy Rogala Sp. z o.o.	272 805	84 080
Podlaskie Delikatesy Centrum Sp. z o.o.	25 108	11 628
Arhelan Sp. z o.o.	15 791	0
Madas Sp. z o.o.	14 096	11 634
ABC na kołach Sp. z o.o.	2 505	0
Frisco S.A.	634	0
Polska Dystrybucja Alkoholi Sp. z o.o.	172	2 548
Euro Sklep Sp. z o.o.	0	2 377 251
Premium Distributors Sp. z o.o.	0	622
Total	**220 986 978**	**79 656 582**

Receivables from loans granted	**31.12.2022**	**31.12.2021**
Delikatesy Rogala Sp. z o.o.	0	1 600 000
Total	**0**	**1 600 000**

Other payables	**31.12.2022**	**31.12.2021**
Eurocash Serwis Sp. z o.o.	918 664	846 453
Delikatesy Centrum Sp. z o.o.	713 043	718 784
Eurocash Franczyza Sp. z o.o.	104 151	11 644
Eurocash VC3 Sp. z o.o.	49 126	0
ABC na kołach Sp. z o.o.	738	0
Detal Finanse Sp. z o.o.	404	0
Duży Ben Sp. z o.o.	30	17 958 000

Ambra Sp. z o.o.	0	132 445
Premium Distributors Sp. z o.o.	0	107 425
Polska Dystrybucja Alkoholi Sp. z o.o.	0	7 425
Lewiatan Śląsk Sp. z o.o.	0	5 200
Przedsiębiorstwo Handlu Spożywczego Sp. z	0	62
Total	**1 786 155**	**19 787 437**

Payables from loans granted	**31.12.2022**	**31.12.2021**
0	102 634 892	257 990 927
Total	**102 634 892**	**257 990 927**

Sales of goods	**01.01-31.12.2022**	**01.01-31.12.2021**
Delikatesy Centrum Sp. z o.o.	1 605 699 326	1 512 902 725
Firma Rogala Sp. z o.o.	402 360 211	397 385 405
Eurocash Serwis Sp. z o.o.	345 808 396	299 852 168
Duży Ben Sp. z o.o.	202 121 506	124 696 512
FHC-2 Sp. z o.o.	167 951 819	155 448 512
Delikatesy Rogala Sp. z o.o.	63 821 386	0
Partner Sp. z o.o.	55 381 216	50 783 714
Frisco S.A.	44 322 947	31 233 462
Arhelan Sp. z o.o.	37 136 849	-
Podlaskie Delikatesy Centrum Sp. z o.o.	29 864 897	23 010 651
Madas Sp. z o.o.	23 661 472	17 903 858
ABC na kołach Sp. z o.o.	16 542 116	14 660 788
Polska Dystrybucja Alkoholi Sp. z o.o.	2 497 675	2 068 872
Inmedio Sp. z o.o.	1 322 439	1 291 617
Eurocash Franczyza Sp. z o.o.	225 668	300 604
Ambra Sp. z o.o.	209 794	228 812
Kontigo Sp. z o.o.	44 830	82 846
Cerville Investments Sp. z o.o.	43 768	60 705
Lewiatan Orbita Sp. z o.o.	25 322	48 323
Lewiatan Opole Sp. z o.o.	15 525	42 901
Lewiatan Podlasie Sp. z o.o.	11 684	62 246
Lewiatan Północ Sp. z o.o.	9 834	18 878
Lewiatan Śląsk Sp. z o.o.	7 727	74 273
Lewiatan Zachód Sp. z o.o.	1 947	10 167
Lewiatan Podkarpacie Sp. z o.o.	0	21 082
Lewiatan Kujawy Sp. z o.o.	0	4 914
Lewiatan Wielkopolska Sp. z o.o.	0	4 365
Euro Sklep Sp. z o.o.	0	2 420
Total	**2 999 088 353**	**2 632 194 034**

Sales of services	**01.01-31.12.2022**	**01.01-31.12.2021**
Eurocash Serwis Sp. z o.o.	19 879 509	11 978 246
Eurocash Franczyza Sp. z o.o.	18 055 134	8 193 427
Delikatesy Centrum Sp. z o.o.	8 025 807	752 641
Lewiatan Holding S.A.	6 796 480	8 677 711
Eurocash Trade 1 Sp. z o.o.	5 337 332	1 595
Innowacyjna Platforma Handlu Sp. z o.o.	3 462 096	3 763 453
Cerville Investments Sp. z o.o.	2 991 452	103 544
Lewiatan Śląsk Sp. z o.o.	2 461 733	2 000 147

Lewiatan Kujawy Sp. z o.o.	2 103 487	2 578 706
Duży Ben Sp. z o.o.	1 994 790	629 841
Lewiatan Północ Sp. z o.o.	1 667 273	1 722 464
FHC-2 Sp. z o.o.	1 396 871	56 250
Lewiatan Podlasie Sp. z o.o.	1 331 311	1 262 366
Lewiatan Zachód Sp. z o.o.	1 254 999	1 354 515
Kontigo Sp. z o.o.	1 216 873	714 758
Lewiatan Wielkopolska Sp. z o.o.	1 213 003	1 266 169
Eurocash Sieci Partnerskie Sp. z o.o.	1 140 697	1 934 306
Detal Finanse Sp. z o.o.	909 371	505 881
Lewiatan Opole Sp. z o.o.	893 183	1 409 236
Ambra Sp. z o.o.	880 142	837 073
Lewiatan Orbita Sp. z o.o.	852 823	1 053 550
ABC na kołach Sp. z o.o.	792 735	335 638
Firma Rogala Sp. z o.o.	779 400	56 250
Lewiatan Podkarpacie Sp. z o.o.	669 074	892 178
Frisco S.A.	627 348	0
Polska Dystrybucja Alkoholi Sp. z o.o.	339 302	18 900
Madas Sp. z o.o.	336 350	0
Podlaskie Delikatesy Centrum Sp. z o.o.	330 324	0
Eurocash Nieruchomości Sp. z o.o.	201 489	0
Akademia Umiejętności Eurocash Sp. z o.o.	164 319	136 707
Delikatesy Rogala Sp. z o.o.	147 000	0
4vapers Sp. z o.o.	131 689	94 157
Inmedio Sp. z o.o.	127 334	47 540
Eurocash VC3 Sp. z o.o.	74 618	10 000
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o. w likwidacji	67 326	18 960
EKO Holding S.A. w likwidacji	44 397	0
Delikatesy Rogala Obszar II Sp. z o.o.	21 282	6 158
Partner Sp. z o.o.	15 233	0
ABC Sp. z o.o.	11 453	2 500
Delikatesy Rogala Obszar III Sp. z o.o.	2 353	6 158
Delikatesy Rogala Obszar IV Sp. z o.o.	2 353	6 158
Euro Sklep Sp. z o.o.	0	640 014
Premium Distributors Sp. z o.o.	0	33 120
Eurocash Trade 2 Sp. z o.o.	0	1 160
Total	**88 749 745**	**53 101 479**

Interest revenues	**01.01-31.12.2022**	**01.01-31.12.2021**
Delikatesy Centrum Sp. z o.o.	951 304	0
Eurocash Trade 1 Sp. z o.o.	141 233	70 169
Delikatesy Rogala Sp. z o.o.	108 341	545
Duży Ben Sp. z o.o.	93 496	0
Kontigo Sp. z o.o.	21 786	7 658
ABC na kołach Sp. z o.o.	13 348	1 272
Eurocash Franczyza Sp. z o.o.	8 611	16 305
Detal Finanse Sp. z o.o.	2 863	0
Firma Rogala Sp. z o.o.	0	74 926
Podlaskie Delikatesy Centrum Sp. z o.o.	0	3 815
Innowacyjna Platforma Handlu Sp. z o.o.	0	2 437
4vapers Sp. z o.o.	0	214
Total	**1 340 982**	**177 341**

Dividends	01.01-31.12.2022	01.01-31.12.2021
Eurocash Sieci Partnerskie Sp. z o.o.	44 191 772	0
Eurocash Serwis Sp. z o.o.	26 666 798	25 074 896
Firma Rogala Sp. z o.o.	4 530 832	3 255 332
Partnerski Serwis Detaliczny S.A.	258 611	0
Eurocash Franczyza Sp. z o.o.	0	100 000 000
Premium Distributors Sp. z o.o.	0	27 539 826
Eurocash VC3 Sp. z o.o.	0	8 032 630
Total	**75 648 013**	**163 902 684**

Other income	01.01-31.12.2022	01.01-31.12.2021
Frisco S.A.	555 905	419 141
Eurocash Serwis Sp. z o.o.	383 682	777 451
Delikatesy Centrum Sp. z o.o.	37 524	17 239
Kontigo Sp. z o.o.	2 665	4 224
Cerville Investments Sp. z o.o.	1 161	2 079
ABC na kołach Sp. z o.o.	1 028	1 042
Duży Ben Sp. z o.o.	278	213
Ambra Sp. z o.o.	14	0
Innowacyjna Platforma Handlu Sp. z o.o.	0	15
Total	**982 258**	**1 221 403**

Costs of goods sold	01.01-31.12.2022	01.01-31.12.2021
Lewiatan Holding S.A.	438 058 295	344 823 292
Eurocash Serwis Sp. z o.o.	131 913 921	118 030 979
Cerville Sp. z o.o.	97 309 373	90 137 094
Kontigo Sp. z o.o.	980 890	1 287 257
Polska Dystrybucja Alkoholi Sp. z o.o.	246 894	0
Frisco S.A.	22 176	0
Arhelan Sp. z o.o.	528	0
Total	**668 532 076**	**554 278 622**

Costs of services	01.01-31.12.2022	01.01-31.12.2021
Eurocash Franczyza Sp. z o.o.	103 156 127	95 341 399
Delikatesy Centrum Sp. z o.o.	87 866 683	168 682 235
Eurocash Serwis Sp. z o.o.	35 566 853	30 369 876
Firma Rogala Sp. z o.o.	28 135 284	28 488 123
Eurocash Sieci Partnerskie Sp. z o.o.	13 945 063	4 841 022
FHC-2 Sp. z o.o.	10 210 637	9 651 672
Duży Ben Sp. z o.o.	7 715 184	4 996 706
Innowacyjna Platforma Handlu Sp. z o.o.	6 618 572	3 206 174
Lewiatan Śląsk Sp. z o.o.	6 611 423	5 687 765
Lewiatan Kujawy Sp. z o.o.	5 909 356	5 184 915
Delikatesy Rogala Sp. z o.o.	4 651 061	1 021 570
Lewiatan Opole Sp. z o.o.	4 303 076	3 600 941
Lewiatan Północ Sp. z o.o.	4 209 862	3 491 569
Lewiatan Podlasie Sp. z o.o.	3 782 438	2 895 248
Lewiatan Wielkopolska Sp. z o.o.	3 689 518	3 242 143
Detal Finanse Sp. z o.o.	3 668 571	0
Lewiatan Orbita Sp. z o.o.	2 444 607	2 096 488
Lewiatan Zachód Sp. z o.o.	2 348 716	2 091 125

Frisco S.A.	1 908 061	1 263 147
Podlaskie Delikatesy Centrum Sp. z o.o.	1 868 889	1 411 716
Lewiatan Podkarpacie Sp. z o.o.	1 802 423	1 433 080
Lewiatan Holding S.A.	1 652 630	1 496 328
Arhelan Sp. z o.o.	1 575 641	-
Madas Sp. z o.o.	1 494 061	1 183 019
EKO Holding S.A. w likwidacji	487 317	0
Akademia Umiejętności Eurocash Sp. z o.o.	315 521	7 079
Partner Sp. z o.o.	233 285	10 000
Ambra Sp. z o.o.	184 478	41 477
Eurocash VC3 Sp. z o.o.	66 238	0
Inmedio Sp. z o.o.	37 331	46 611
Kontigo Sp. z o.o.	0	50 000 000
Euro Sklep Sp. z o.o.	0	8 017 938
Premium Distributors Sp. z o.o.	0	107 286
Polska Dystrybucja Alkoholi Sp. z o.o.	0	7 425
Przedsiębiorstwo Handlu Spożywczego Sp. z o.o. w likwidacji	0	62
Total	**346 458 907**	**439 914 140**

Other costs	**01.01-31.12.2022**	**01.01-31.12.2021**
Delikatesy Centrum Sp. z o.o.	8 951 555	2 075
Lewiatan Śląsk Sp. z o.o.	837	0
ABC na kołach Sp. z o.o.	0	1 456 583
Total	**8 952 392**	**1 458 658**

NOTE 32.
REMUNERATION AND OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

The table below presents information on the total value of remuneration, bonuses and awards as well as other benefits paid or due (including travel or accommodation costs) to members of the Management Board and Supervisory Board in the period from 01.01.2022 to 31.12.2022, paid in Eurocash S.A.

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE PARENT IN THE PERIOD FROM 01.01 TO 31.12.2022	Basic and variable salary	Other benefits (including travel and accommodation costs)	Managerial optoins *	Total
Remuneration of the Members of the Management Board				
Luis Amaral (from 01.01 to 30.06.2022)	18 050	524 820	0	542 870
Paweł Surówka	1 870 000	42 958	0	1 912 958
Rui Amaral (from 01.01 to 31.01.2022)	53 600	18 935	0	72 535
Arnaldo Guerreiro	283 500	348 886	0	632 386
Pedro Martinho	283 500	31 113	0	314 613
Katarzyna Kopaczewska	283 500	18 076	0	301 576
Jacek Owczarek	283 500	35 548	0	319 048
Przemysław Ciaś	276 800	27 929		304 729
Noel Colett (from 01.01 to 31.01.2022)	93 600	400	0	94 000
Dariusz Stolarczyk	430 000	19 970	0	449 970
Tomasz Polański	310 000	35 694	0	345 694
Total	**4 186 050**	**1 104 329**	**0**	**5 290 379**

The costs related to the incentive program assigned to the Management Board amounted to PLN 3,268,400.69. Details are included in Note 38

Remuneration of the Members of the Supervisory Board				
Luis Amaral (from 01.07 to 31.12.2022)	119 346	515 889	0	635 235
Jorge Mora	237 031	0	0	237 031
Renato Arie (from 01.01 to 30.06.2022)	117 685	0	0	117 685
Francisco José Valente Hipólito dos Santos	237 031	0	0	237 031
Hans Joachim Körber	237 031	0	0	237 031
Przemysław Budkowski	240 587	0	0	240 587
Total	**1 188 712**	**515 889**	**0**	**1 704 601**

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE PARENT IN THE PERIOD FROM 01.01 TO 31.12.2021	Basic and variable salary	Other benefits (including travel and accommodation costs)	Managerial optoins	Total
Remuneration of the Members of the Management Board				
Luis Amaral	36 000	17 575	0	53 575
Rui Amaral	480 000	18 003	0	498 003
Arnaldo Guerreiro	300 000	54 516	0	354 516
Pedro Martinho	300 000	54 516	0	354 516
Katarzyna Kopaczewska	300 000	17 575	0	317 575
Jacek Owczarek	300 000	34 458	0	334 458
Przemysław Ciaś	240 000	36 003	0	276 003
Noel Colett	480 000	73 365	0	553 365
Total	**2 436 000**	**306 010**	**0**	**2 742 010**
Remuneration of the Members of the Supervisory Board				
Jorge Mora	229 908	0	0	229 908
Renato Arie	229 908	0	0	229 908
Francisco José Valente Hipólito dos Santos	229 908	0	0	229 908
Hans Joachim Körber	229 908	0	0	229 908
Przemysław Budkowski	232 494	0	0	232 494
Total	**1 152 124**	**0**	**0**	**1 152 124**

NOTE 33.
EMPLOYMENT

The number of employees as at 31.12.2022 is presented below.

NUMBER OF EMPLOYEES AS AT 31.12.2022	31.12.2022	31.12.2021
Number of employees	7 547	7 643
Number of full-time jobs	7 473	7 567

The employment structure as at 31.12.2022 is presented below.

EMPLOYMENT STRUCTURE AS AT 31.12.2022	Wholesale discounts and distribution centres	Head office	Total
Number of employees	6 631	916	**7 547**
Number of full-time jobs	6 562	912	**7 473**

Employee turnover is presented below.

EMPLOYEE TURNOVER IN THE PERIOD FROM 01.01 TO 31.12.2022	from 01.01.2022 to 31.12.2022	from 01.01.2021 to 31.12.2021
Number of hired employees	1 523	1 358
Number of dismissed employees	(1 619)	(1 994)
Ogółem	**(96)**	**(636)**

NOTE 34.
DATA CONCERNING ITEMS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

Contingencies as at 31.12.2022:

Beneficiary	Title	Currency	31.12.2022	31.12.2021
Bank 1 **	Surety for the Eurocash Group companies regarding the cash pool agreement in the amount of the credit limit	PLN	2 100 000 000	2 100 000 000
Bank 2 **	Surety for the Eurocash Group companies regarding the cash pool agreement in the amount of the credit limit	PLN	2 040 000 000	2 040 000 000
Bank 2 ***	Surety for liabilities resulting from the "Franchise Partners Financing Program" for the Franchisee of Delikatesy Centrum	PLN	0	184 020
Bank 4 ***	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Lease Agreement	PLN	0	248 593
Bank 4 ***	Surety for liabilities of Partnerski Serwis Detaliczny S.A. under the Lease Agreement	PLN	26 996	38 385
Bank 5 **	Surety for liabilities of Eurocash Serwis Sp. z o.o., resulting from the Factoring Agreement	PLN	0	300 000 000
Bank 6 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Current Loan Agreement Agreement	PLN	97 500 000	165 000 000
Bank 7 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. due to the factoring agreement	PLN	75 000 000	50 000 000
Bank 8 **	Surety for loan of Frisco S.A.	PLN	15 000 000	15 000 000
Bank 4 ***	Surety for the contract for financial market transactions FRISCO S.A.	PLN	5 000 000	2 150 000
Bank 4 ***	Surety for liabilities due to the lease agreements of Frisco S.A.	PLN	25 526 126	30 825 021
Company 1 **	Surety for liabilities of Eurocash Serwis Sp. z o.o.	PLN	0	1 000 000
Company 2 **	Surety for liabilities of ABC na Kołach Sp. z o.o.	PLN	0	200 000
Company 3 **	Surety for liabilities of ABC na Kołach Sp. z o.o.	PLN	0	300 000
Bank 9 **	Surety for liabilities of Eurocash Group Companies due to the factoring agreement	PLN	300 000 000	300 000 000

Company 5 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	48 586 372	47 648 811
Company 4 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	6 720 426	6 590 743
Company 8 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	8 488 559	8 324 757
Company 9 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	-	80 190 174
Company 6 **	Surety for non-trade liabilities of Delikatesy Centrum Sp. z o.o.	PLN	5 900 000	5 900 000
Company 7 **	Surety for trade liabilities of Frisco S.A.	PLN	2 450 000	3 080 000
Company 2 **	Surety for non-trade liabilities of Frisco S.A.	PLN	500 000	300 000
Company 10 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. due to rent agreement	PLN	1 050 555	0
Total			**4 731 749 034**	**5 156 980 504**

*** at nominal value*

**** at debt value as at balance sheet date*

Contingent liabilities securing cash pool agreements, credit agreements, factoring agreements as well as commercial and rental agreements were presented at nominal values, while contingent liabilities securing lease agreements and franchisees financing program were presented according to the value of debt as at the balance sheet date.

As at 31.12.2022 contingent liabilities of Eurocash S.A. according to the value of debt, they amounted to PLN 1.471,2 million, while as at 31.12.2021, they amounted to PLN 1.495,3 million.

Bank guarantees as at 31.12.2022

The Issuer	Title	Currency	31.12.2022	31.12.2021
Bank 1	Security for rent liabilities	PLN	1 097 410	8 675 895
Bank 1	Security for rent liabilities*	PLN*	12 305 667	32 452 414
Bank 1	Security for excise duty	PLN	0	500 000
Bank 1	Payment security for suppliers *	PLN	0	4 594 100
Bank 2	Payment security for suppliers	PLN	0	40 700 000
Bank 3	Payment security for suppliers *	PLN	34 400 000	11 025 840
Bank 1	Securing payments in connection with the use of national roads	PLN	0	1 320 100
Bank 3	Payment security for suppliers	PLN	18 290 610	19 500 000
Bank 1	Security of liabilities due to proper realization of agreement*	PLN	0	2 639 971
Bank 3	Security for rent liabilities*	PLN	9 271 770	0
Bank 3	Security of liabilities due to proper realization of agreement*	PLN	2 695 021	0
Bank 4	Security for rent liabilities*	PLN	11 310 792	0
Bank 4	Security for rent liabilities	PLN	7 983 215	0
Bank 4	Payment security for suppliers		300 000	0
			97 654 486	**121 408 320**

** - Guarantees in EUR were converted into PLN according to the average exchange rate of the National Bank of Poland:*
31.12.2022: 1 EUR = 4,6899 PLN,
31.12.2021: 1 EUR = 4,5994 PLN.

Other administrative proceedings

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

THE DAMAGE SUFFERED BY THE COMPANY IN THE PREVIOUS YEAR AS A RESULT OF THE ACTIVITIES OF EXTERNAL ENTITIES PARTICIPATING IN THE VAT FRAUD MECHANISM

With reference to the disclosure that the Company made in 2017 regarding the damage suffered by the Company as a result of the activities of external entities participating in the extortion mechanism, we would like to inform you as follows.

The examination of VAT settlements by Eurocash Group companies did not reveal any irregularities of a nature identical to those disclosed in Eurocash S.A. in 2017. Notwithstanding the foregoing, taking into account the turnover of other Group companies realized on transactions concerning intra-Community supplies of goods, the risks related to such possible irregularities are intangible. Eurocash S.A. suspended this type of intra-Community supply of goods transactions and, as collateral, paid a deposit of PLN 95,746,902 in 2017 for any arrears.

As a result of the investigation - initiated in 2018 by the Regional Prosecutor's Office in Poznań - this authority issued a decision in 2020 to secure a fine against the former employee of the Company and the obligation to return the financial benefit. As a result of the complaint filed by the Company on 22 July 2020, the District Court in Poznań revoked the security order, which in practice means that there is no obligation to provide it.

Still in 2020, the Company analyzed the tax risks related to the damages in question and decided to allocate the amount of approximately PLN 43.5 million against current tax liabilities, from the pool of previously paid security for the payment of any VAT liability. The current security for potential arrears amounts to PLN 52,267,381. Nevertheless, the Company is of the opinion that based on the analysis of tax audit files and tax proceedings, as well as based on the results of internal analyses, the security is inadequate to the amount of potential VAT arrears (if such arrears exist at all). The information obtained shows that a significant part of the buyers, originally included in the group of potential risk, correctly settled transactions with the Company in an EU country (other than Poland), showing intra-Community acquisition of goods there and settled the VAT due on this account.

On June 22, 2022, the Company received from the Head of the First Wielkopolskie Tax Office in Poznań a tax inspection report for the period from October 2013 to December 2016. In this report, the Head questioned some transactions made by the Company, including: (1) domestic and foreign transactions of purchase and sale of goods (mainly food products and manufactured goods) and (2) some transactions of intra-Community supply of goods (applies only to beer). The total amount of VAT questioned by the Head is PLN 133,956,967.00. In the Company's opinion, the protocol referred to in the previous sentence does not involve any potential VAT liability for the Company and the need to pay any potential VAT arrears. In the Company's opinion, the minutes are not transparent and contain theses that the Company will question. Especially:

1. the protocol does not contain the standard summaries which in such studies the authorities usually present in tax audits;
2. descriptions of transactions and tax liabilities of entities other than the Company, including entities that were not contractors of the Company, constitute an important part of the protocol;

3. different conclusions are presented by the authority depending on different categories of products subject to taxation;
4. doubts arise regarding the arrangements regarding the application of a specific VAT rate in cases where the authority confirms that it has evidence and knowledge that the goods have been sent from Poland to an EU country;
5. Significant doubts are also raised by the authority's findings denying the Company the right to deduct input VAT in those cases where the authority determined that irregularities occurred at earlier stages of the delivery of goods (i.e. transactions in which the Company did not participate).

The Company, not agreeing with the findings of the Head of the above-mentioned the inspection report, on 6 July 2022, raised objections to it.
Then, on 5 December 2022, the Head initiated two tax proceedings against the Company, i.e. 1) VAT tax proceedings for the fourth quarter of 2013 and for the first quarter of 2014, and 2) VAT tax proceedings for the periods from the fourth quarter of 2014 to Q4 2016
The Company is also subject to VAT tax proceedings for the second and third quarters of 2014 initiated by the decision of 6 December 2016 (no. 3071-PP.4213.96.2016.1). On 23 December 2022, the Head issued another decision to extend the deadline for settling the case until 6 April 2023.
Summarizing the above, in the Company's opinion, the security in the amount of PLN 52,267,381 is the amount that would fully cover the tax arrears, if any.

NOTE 35.
COLLATERALS

Collaterals as at 31.12.2022:

Title	Secured property	31.12.2022	31.12.2021
Security of an agreement on a credit line **	Deposit on inventories	90 000 000	90 000 000
Security of an agreement on a credit line **	Deposit on inventories	88 000 000	88 000 000
Security on the syndicated loan agreement	Deposit on inventories Eurocash Serwis Sp. z o.o.	9 547 300	9 547 300
Security on the syndicated loan agreement	Deposit on inventories Eurocash Franczyza Sp. z o.o.	3 800 000	3 800 000
Security on the syndicated loan agreement	Deposit on inventoriesEurocash Sieci Partnerskie Sp. z o.o.	220 305 000	0
Security of an EBOR credit **	Mortgage on 6 distribution centers (13 properties)	333 750 000	333 750 000
Lease agreements (at net value of tangible fixed assets on the balance sheet date)	Deposit on fixed assets in leasing	458 873	662 484
		745 861 173	**525 759 784**

NOTE 36.
FINANCIAL RISK MANAGEMENT

General information

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

a. Credit risk
b. Liquidity risk
c. Market risk

In addition, the Company implements a policy regarding:

d. Capital management
e. Determining fair values

This note contains information about the Company's exposure to each type of risk indicated above and also describes the objectives, policies and procedures related to risk and capital management. Disclosures of numerical data have been included in these consolidated financial statements.
The Company is a part of Capital Group Eurocash S.A. Its policy and strategy in the field of financial management results from the rules and procedures applicable throughout the Group. The Company is the Parent Entity in this Group.
The Management Board of the Parent Entity is responsible for determining and fulfilling the risk management policy, which in order to fulfill these tasks has set up risk management teams, whose responsibilities include building and monitoring individual risk management policy.
The risk management policy is implemented to identify and analyze risks related to the Company's activity and to set appropriate limits, control risk and monitor deviations from these limits. The risk

management policy and system are regularly reviewed to ensure that they correspond to current changes in market conditions and the Company's operations. By raising qualifications, adopting standards and procedures, the Company strives for a disciplined and constructive control of the environment in which all employees understand their role and responsibilities.

The Parent Entity also has an internal audit department that controls the implementation of risk management policies and procedures within the scope of the tasks entrusted to it. An internal audit performs both scheduled inspections and ad hoc verification procedures in this regard.

a. Credit risk

Credit risk is the risk of financial losses by the Company as a result of the client or contractor being a party to a financial instrument failing to fulfill its contractual obligations. Credit risk is mainly associated with the Group's receivables from customers and financial investments.
The table below presents the maximum exposure of the Company to credit risk.

CREDIT RISK EXPOSURE	as at 31.12.2022	as at 31.12.2021
Receivable and loans	1 267 108 340	1 019 750 110
Cash and cash equivalents *	44 423 255	17 933 450
Other financial assets	6 404 074	17 543 034
Total	**1 317 935 669**	**1 037 683 559**

* excluding cash

Trade and other receivables

The Group's credit risk due to receivables differs for individual groups of contractors with whom the Group cooperates:

- the sale of marketing services to suppliers of goods (promotional campaigns for goods, newsletters, advertising brochures) is subject to lower credit risk, as the receivables in this respect are, as a result of additional arrangements, largely deducted from liabilities to suppliers. This risk is managed in a team located in the Accounting Department, whose task is to correctly settle and offset receivables with the Group's liabilities on the basis of contracts with suppliers. The risk of non-payment is small due to the persistent natural advantage of the value of liabilities over receivables to suppliers. As part of managing the credit risk of this group of contractors, the Group focuses on ensuring working capital security.
- Cash & Carry wholesalers and own stores are characterized by a very high share of sales for cash. For the Cash & Carry business, this percentage is 95%. The credit risk of this group of contractors is managed by the credit control and debt collection team included in the Treasury Department. The process uses the same computer methods and systems, and the same staff as in the following processes for credit sales to franchise networks and independent customers.
- sales to franchise networks and to independent customers, taking into account all the categories distributed, i.e. food, alcohol, tobacco products, gastronomic goods, etc., are mostly made on credit. The share of credit sales in the Company is approximately 80%. Overdue, although an

inseparable part of the FMCG business, constitute only 6% of the total balance of receivables resulting from the sale of goods to the Company's customers. The level of losses resulting from the failure to receive payment for trade receivables (including provisions for future losses) increased by the costs of insurance and debt collection is historically at the lowest level and did not exceed 0.04% of the Company's sales value in 2022. In order to assess the quality of the portfolio, the company monitors, inter alia, the level of customer concentration using the Herfindahl-Hirschman Index (HHI), which is consistently low, reaching a value below 4 in 2020. The credit risk management process including credit analysis, setting limits, blocking sales, insurance of receivables, soft debt collection and debt collection has been placed in the credit control and debt collection team.

- Credit risk in financial investments - Cash and cash equivalents are invested in financial institutions of recognized reputation or instruments with an investment grade rating. The credibility check of these institutions consists in the financial analysis (including capital adequacy) of these entities and the monitoring of official ratings granted by such institutions as S&P, Moodys or Fitch. As at 31 December 2022, it is not expected that any counterparty of a financial transaction might fail to meet its obligations.

The company monitors the amount of overdue receivables on an ongoing basis and files legal claims in justified cases.

The Company writes off receivables in relation to expected credit losses which result directly from the risk of each client and are calculated on the basis of models that include, among others payment history, type of business, geolocation, evaluation of cooperation and financial data.

AGEING OF TRADE RECEIVABLES AND BAD DEBT ALLOWANCES AS AT 31.12.2022	Trade receivables gross as at 31.12.2022	Trade receivables gross as at 31.12.2021
current	1 091 463 919	901 981 706
1-30 days	102 571 657	83 130 571
31-90 days	24 554 112	21 070 652
91-180 days	1 624 822	1 179 554
> 180 days	20 491 950	26 976 336
Total	**1 240 706 460**	**1 034 338 820**

ALLOWANCE FOR BAD DEBTS AS AT 31.12.2022	from 01.01.2022 to 31.12.2022	from 01.01.2021 to 31.12.2021
Opening balance	38 499 556	48 570 831
Increases*	0	0
Decreases*	(11 969 644)	(10 071 274)
Closing balance	**26 529 912**	**38 499 556**

**net value*

b. Liquidity risk

Financial liquidity risk is the risk of the Company's inability to repay its financial liabilities when they fall due.

The liquidity risk management policy consists in ensuring the financial resources necessary to meet the Company's financial and investment obligations when they become due, without incurring the risk of reputation loss and unnecessary losses.

The Company's goal is to maintain a balance between continuity, flexibility and cost-effectiveness of financing through the use of various sources, such as bank loans (including overdrafts), loans, bond issues, lease agreements and reverse factoring. As part of liquidity management, the Company uses reverse factoring agreements in relation to its liabilities, under which it submits invoices for purchases from selected suppliers for factoring. The Company minimizes the liquidity risk resulting from the use of reverse factoring agreements by cooperating with several factors and maintaining sufficient factoring limits.

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

• area covering investments in fixed assets and other long-term assets (e.g. acquisition of companies)

The investment horizon taken into account in these analyzes ranges from one month to a maximum of 36 months. The company prepares plans to cover the liabilities resulting from these plans with appropriate capital or changes in financing agreements. The Company is prepared for a potential change in the size and length of credit agreements in the event of a change in investment plans thanks to maintaining balanced relations on the local money and capital markets. In addition, the Company uses a revolving loan in its financial policy, the long-term nature of which allows the use of this financing for potential investments, whether in fixed assets or acquisitions of business entities similar or complementary to the current operations of the entire Eurocash Group. At the same time, as at December 31, 2022, the Company has facilities to organize the issue of long-term bonds up to PLN 1 million, thanks to an open issue program.

• working capital

In order to finance liabilities for suppliers of goods, trade credit is used (approx. 79% of the balance of trade liabilities) and financial instruments (approx. 21% of the balance of trade liabilities). The Company uses financial instruments facilitating capital management both for the Company itself and for suppliers. In particular, the balance of liabilities under reverse factoring agreements as at December 31, 2022 amounted to PLN 0.65 billion (PLN 1.11 billion as at December 31, 2021). Trade liabilities covered by reverse factoring agreements do not significantly change the terms of trade liabilities. As at 31 December, the Company had active reverse factoring agreements with five factors - renowned financial institutions. The company used factoring lines in 77% as at the balance sheet date, December 31, 2022, while in the previous year this utilization amounted to 91%.

The company also has the ability to discount receivables. The company maintains receivables factoring programs and their use as at 31 December 2022 does not exceed PLN 136.6 million.

In 2020, in connection with changes in the regulations regarding payment backlogs (amendment to the Act of March 8, 2013 on counteracting excessive delays in commercial transactions, introduced by the Act of July 19, 2019 amending certain acts to reduce payment backlogs (Journal of 2019, item 1649), corporate income tax and value added tax with regard to the so-called white list and the split payment method (amendments to the Act of 11 March 2004 on Value Added Tax introduced among others, the

Act of 12 April 2019 amending the Act on Value Added Tax and certain other acts (Journal of Laws of 2019, item 1018) and the Act of 9 August 2019 amending the Act on tax on goods and services and certain other acts (Journal of Laws of 2019, item 1751) and the amendment to the Act of February 15, 1992 on Corporate Income Tax, introduced, inter alia, by the Act of April 12, 2019 on amending the act on tax on goods and services g and some other acts (Journal of Laws of 2019 item 1018). terms of payment and procedures regulating the circulation of accounting documents and making payments. The result of these changes is a reduction
no working capital leverage.

• financial debt

Taking the above into account, as at the date of approval of these separate financial statements, there are no circumstances indicating a threat to the Company's loss of financial liquidity. Financial debt consists primarily of:

* Balance sheet liability resulting from IFRS 16 resulting from the valuation of contracts for the lease of logistics and retail space and other tangible assets, included in the balance sheet item "lease liabilities" in the amount of PLN 840 million. These liabilities are usually repaid to entities which, as a rule, are not financial institutions and are usually paid in monthly rent payments.

* Liabilities to repay bank loans, the total value of which is included in the balance sheet item "bank loans and borrowings". The limits granted under the financing agreements concern:

• a credit line in the form of a revolving loan up to PLN 600 million. As at 31 December 2022, the limit was used up to PLN 300 million, while as at 31 December 2021 it was PLN 300 million. the use of this line amounted to PLN 375 million. The revolving line is the main financial security for the Company and the Group in the event of unfavorable financial scenarios and the need to implement recovery plans.

• an investment loan (EBRD) in the amount of PLN 196.02 million. As at 31 December 2022, the limit was used in full. As at 31 December 2021, the loan was also used in full, but its availability was PLN 213.84 million.

• loans to realize the benefits resulting from the optimization of cash under cash pool programs. The total limit in these programs granted to the Company (2 programs in two local banks) amounted to PLN 112.3 million as at 31 December 2022, while as at 31 December 2021 the limit was PLN 138 million. As at December 31, 2022, the line was used at PLN 10.5 million, while as at December 31, 2021, the line was used at PLN 32.7 million.

• credit lines in current accounts. In order to optimize the cost of maintaining bank accounts, the Company and the Group maintain loans in several banks. The sum of the limits in these credit lines, including the lines secured by the BGK guarantee, as at 31 December 2022 is PLN 185 million (as at 31 December 2021 - PLN 260 million), and their use is PLN 138 million (as at 31 December 2021 - 148 million zloty).

• liabilities to repay corporate bonds, the total value of which is included in the balance sheet item "Long-term financial liabilities". The issue program, launched in November 2020, allows for the issue of up to the total amount of all issues of PLN 1,000,000,000. The first broadcast took place in December 2020. As part of it, the Company issued PLN 125 million for a period of 5 years. The funds from this issue increased the pool of available credit lines, thus significantly reducing the liquidity risk.

CREDIT LINES BY MATURITY DATE AS AT 31.12.2022

mln PLN	Credit lines by maturity date as at					TOTAL
	Short-term lines				Long-term lines	
	I Q 2023	II Q 2023	III Q 2023	IV Q 2023		
Credit limits	45,0	765,6	45,0	77,3	160,4	1 093,3
Use as at 31.12.2022	44,0	429,8	4,9	5,6	160,4	644,7

LINIE KREDYTOWE WG TERMINÓW ZAPADALNOŚCI NA DZIEŃ 31.12.2021

mln PLN	Credit lines by maturity date as at				TOTAL
	Short-term lines			Long-term lines	
	II Q 2022	III Q 2022	IV Q 2022		
Credit limits	72,8	150,0	148,0	841,0	1 211,8
Use as at 31.12.2021	48,9	75,0	32,9	612,4	769,2

The Management Board of the Company considers that the maturity structure of the balance sheet assets and liabilities determines the maturity of the financing instruments. As at 31.12.2021, the Company financed itself with bonds, credits, loans, factoring and leasing. The strategy of matching the maturity of financing sources to the nature of assets allows the Company to remain flexible in the selection of financial instruments and ensures cost effectiveness. Due to maintaining a relatively low financial leverage, the Company has the ability to select financing partners both on the local and foreign market.

Other financial liabilities included in the balance sheet items are "franchisees financing liabilities" and "other financial liabilities" respectively, as well as off-balance sheet items related to contingent liabilities. The main components of these three groups of liabilities are three sets of contracts (some of them are shown in contingent liabilities):

- factoring of Delikatesy Centrum franchisees, where the debt is the amount of the surety granted by the Company to a financial institution. The limit in this contract is PLN 40 million, while the use as at 31.12.2022 is PLN 15 million (liability recognized in the statement of financial position)
- for sureties for leasing and loan agreements for Frisco S.A. a total of PLN 25,5 million (included in contingent liabilities).

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

LIQUIDITY RISK

AS AT 31 DECEMBER 2022	Net book value	< 12 months	1-5 years	> 5 years
Financial lease liabilities	957 513 766	189 004 149	525 655 956	242 853 660
Liabilities due to financing of franchisees	15 041 727	15 041 727	0	0
Trade and other payables	2 526 656 602	2 524 457 578	2 199 023	0
Loans and borrowings	747 360 953	586 960 953	160 400 000	0
The issuance of debt securities	125 000 000	0	125 000 000	0
Suppliers financing program	649 812 727	649 812 727	0	0
	5 021 385 774	**3 965 277 134**	**813 254 980**	**242 853 660**

LIQUIDITY RISK

AS AT 31 DECEMBER 2021	Net book value	< 12 months	1-5 years	> 5 years
Lease liabilities	1 006 396 264	176 292 276	530 890 745	299 213 243
Liabilities due to financing of franchisees	16 763 774	16 763 774	0	0
Trade and other payables	1 691 311 312	1 675 814 308	15 497 004	0
Loans and borrowings	1 027 153 712	456 133 712	571 020 000	0
The issuance of debt securities	125 000 000	0	125 000 000	0
Suppliers financing program	1 113 580 999	1 113 580 999	0	0
	4 980 206 062	**3 438 585 070**	**1 242 407 748**	**299 213 243**

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

AGING OF TRADE LIABILITIES AS AT 31.12.2022	Trade liabilities gross as at 31.12.2022	Trade liabilities gross as at 31.12.2021
current	3 168 902 792	2 800 868 535
1-30 days	0	-
31-90 days	0	-
91-180 days	0	-
> 180 days	0	-
Total	**3 168 902 792**	**2 800 868 535**

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

c. Market risk

Market risk is associated with changes in demand, supply and prices as well as other factors that will affect the Company's results or the value of assets (such as foreign exchange rates, interest rates, and fuel and energy prices). The goal of market risk management is to maintain exposure to this risk within an acceptable framework while optimizing return on risk. The Company does not hedge the risk of changes in the prices of products, goods and raw materials traded by the Company.

I. Currency risk

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

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

Liabilities as at 31.12.2022 (PLN)	**840 026 700**
Value in PLN	
agreements EUR	267 259 899
agreements PLN	572 766 801
Value in agreement currency	
agreements EUR	56 986 268
agreements PLN	572 766 801

Cash flow in the period 01.01.-31.12.2022	
Value in agreement currency	
agreements EUR	13 079 233
agreements PLN	127 875 906

Liabilities as at 31.12.2021 (PLN)	**896 090 901**
Value in PLN	
agreements EUR	313 145 743
agreements PLN	582 945 157
Value in agreement currency	
agreements EUR	67 842 380
agreements PLN	582 945 157

Cash flow in the period 01.01.-31.12.2021	
Value in agreement currency	
agreements EUR	12 945 551
agreements PLN	117 847 307

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

currency exposure sensitivity	PLN
sensitivity of the balance sheet exposure resulting from the valuation of lease agreements	
1% in plus PLN	-2 672 599
1%-in minus PLN	2 672 599
sensitivity of exposure resulting from cash flows in the period of 12 months resulting from lease agreements	
1% in plus PLN	-613 403
1%-in minus PLN	613 403

Due to the insignificant impact of currency risk on financial flows and the exceptionally long-term nature of currency risk in the balance sheet, the Company did not take hedging measures in 2022. Both in 2022 and 2021, the Company did not have open positions in currency derivatives. In 2023, as in 2022, we still expect high volatility of exchange rates, mainly due to the war in Ukraine. Nevertheless, we believe that the exposure to this risk is so small that even this higher than usual volatility will not significantly affect the profitability and liquidity of the Company.

I. Interest rate risk

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

The risk of changes in interest rates is related to loans and borrowings, leases, bonds and factoring programs. The table below presents the balance sheet value of the Company's financial instruments exposed to the interest rate risk, broken down by age categories.

INTEREST RATE RISK

31 December 2022	< 1 year	2-5 years	> 5 years	Total
Cash and cash equivalents	45 759 926	0	0	**45 759 926**
The issuance of debt securities	0	(125 000 000)	0	**(125 000 000)**
Reverse factoring liabilities	(649 812 727)	0	0	**(649 812 727)**
Receivables factoring	(121 592 193)	0	0	**(121 592 193)**
Credits and loans	(586 960 953)	(160 400 000)	0	**(747 360 953)**

31 December 2021	< 1 year	2-5 years	> 5 years	Total
Cash and cash equivalents	19 262 571	0	0	**19 262 571**
The issuance of debt securities	0	(125 000 000)	0	**(125 000 000)**
Reverse factoring liabilities	(1 113 580 999)	0	0	**(1 113 580 999)**
Receivables factoring	(149 453 001)	0	0	**(149 453 001)**
Credits and loans	(456 133 712)	(571 020 000)	0	**(1 027 153 712)**

The table below presents the Company's vulnerability profile (maximum exposure) to the risk of changes in interest rates by presenting financial instruments divided by variable and fixed interest rates:

INSTRUMENTS WITH FIXED AND VARIABLE INTEREST RATE	31.12.2022	31.12.2021
Fixed interest rate instruments		
Financial assets	6 404 074	17 904 609
Financial liabilities	957 513 766	1 006 396 264
Variable interest rate instrument		
Financial assets	45 759 926	20 862 571
Financial liabilities	1 637 247 731	2 410 808 762

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

The Group prepared an analysis of the sensitivity of financial instruments with variable interest rates to changes in market interest rates. The table below presents the impact of an increase and decrease of the interest rate by 100 bp on the gross financial result and on equity less the gross financial result. The analysis was conducted assuming that all other variables, such as currency exchange rates, remain unchanged. The analysis was prepared for the current year and for the comparable period, i.e. 2021.

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS	Income statement		Equity	
	increases 100bp	decreases 100bp	increases 100bp	dereases 100bp
31 December 2022	(15 914 878)	15 914 878	0	0
31 December 2021	(23 899 462)	23 899 462	0	0

The sensitivity analysis covers, respectively:

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

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

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

As at 31 December 2022 the list of swap transactions concluded was.

Transaction date	Nominal value	Status	Start	End	Valuation as at 31.12.2021
28.02.2020	200 000 000	in progress	07.01.2022	09.01.2023	1 061 547
09.03.2020	100 000 000	in progress	05.03.2021	06.03.2023	1 493 300
03.03.2020	100 000 000	in progress	04.03.2022	06.03.2023	1 441 644
07.04.2021	100 000 000	in progress	17.01.2022	16.01.2023	546 173
06.10.2022	500 000 000	in progress	31.12.2022	31.12.2024	-4 213 416
					329 247

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

Transaction date	Nominal value	Status	Start	End	Valuation as at 31.12.2020
26.06.2019	100 000 000	in progress	22.02.2021	22.02.2022	81 855,46
26.06.2019	100 000 000	in progress	29.01.2021	31.01.2022	35 191,33
06.06.2019	100 000 000	in progress	11.01.2021	11.01.2022	6 292,39
26.06.2019	100 000 000	in progress	18.01.2021	18.01.2022	11 162,46
26.06.2019	100 000 000	in progress	25.01.2021	25.01.2022	18 056,83
30.08.2019	100 000 000	in progress	02.09.2019	31.08.2022	1 208 047,65
30.08.2019	100 000 000	in progress	02.09.2019	31.08.2022	1 208 047,65
29.08.2019	100 000 000	in progress	02.09.2019	29.07.2022	1 069 398,72
28.02.2020	200 000 000	before start	07.01.2022	09.01.2023	4 796 622,66
04.03.2020	100 000 000	in progress	08.01.2021	07.01.2022	14 279,23
09.03.2020	100 000 000	in progress	05.03.2021	06.03.2023	3 256 551,63
03.03.2020	100 000 000	before start	04.03.2022	06.03.2023	2 710 544,03
07.04.2021	100 000 000	before start	17.01.2022	16.01.2023	3 126 983,77
					17 543 033,80

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

Capital management

The basic assumption of the Company's policy in the area of capital management is to maintain a strong capital base, which will be the basis of confidence on the part of investors, lenders and the market and which will ensure the future development of the Company. The Company monitors changes in shareholding, return on capital and the level of dividends paid to shareholders. The Company's goal is to achieve a capital return ratio at the level satisfying shareholders and to ensure the annual payment of dividend. In the presented period, no changes were introduced to the objectives, principles and processes in the field of capital management.

Determining fair values

As at 31 December 2021, the fair value of financial instruments was similar to their carrying amount. The Group has instruments hedging interest rate risk, IRS, which are measured at fair value. For these IRS, the fair value was classified to level 2 of the hierarchy - the fair value is determined on the basis of values observed on the market, however, which are not a direct market quote (e.g. they are determined by direct or indirect reference to similar instruments existing on the market). In connection with the hedge accounting used, the valuation effect is recognized in other comprehensive income.
According to the Company's assessment, the fair value of cash, short-term deposits, trade receivables, trade payables, bank loans, loans and financial lease liabilities as well as other financial assets and liabilities does not differ from the balance sheet amounts

NOTE 37.
CLIMATE CHANGES

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

NOTE 38.
OTHER SUBSEQUENT EVENTS

1. COVID-19

In March 2020, the SARS-CoV-2 coronavirus and the disease it causes, known as Covid-19, began to spread as a pandemic. Due to this fact, a number of preventive measures have been taken to limit the spread of the virus, also in Poland.

After more than two years of the pandemic, society has learned to cope with it, especially since effective vaccines have appeared that significantly reduced its negative effects. Currently, the pandemic is ending and most countries are partially or completely lifting restrictions related to Covid. From May 16, 2022, the state of epidemic in Poland was replaced by a state of epidemiological threat.

Despite this, there is a risk of new virus mutations emerging. Therefore, the Company monitors the situation on an ongoing basis and reacts to the recommendations of the Chief Sanitary Inspector and other services in Poland on an ongoing basis.

2. The war in Ukraine

On 24 February 2022, Russian troops attacked Ukraine, thus starting an armed conflict, which, according to analysts, will have long-term effects, not only political, but above all economic, for the global economy.

In response to the invasion, representatives of the US, EU and Great Britain imposed a package of sanctions on Russia, which in particular is intended to make it more difficult for the aggressor to conduct international trade and, in the long run, to weaken the Russian economy.

According to the assessments of market analysts, it is difficult to predict the end date of the conflict, the current efforts towards peace do not bring satisfactory results.

The role of Russia and Ukraine in broadly understood international trade is concentrated in narrow sectors of low-processed production. This applies to energy resources (mainly natural gas, crude oil and coal) and agricultural products. Prices on global markets reacted sharply not only in the above-mentioned mentioned sectors. High volatility of prices of various types of assets has become an everyday reality in the last year, experts indicate that this situation will accompany us in the future for a year or two, but with a lesser intensity of this effect. Price changes will be the dominant driver of economic uncertainty. In the face of this, the global economy will have to fight the effects of inflation and worsening conditions on the labor market.

Since the second quarter of 2021, Poland has been struggling with inflation that goes beyond the range of the assumed inflation target. Price changes intensified in 2022, where already in March a 2-digit inflation value was recorded. The inflation peak this year was reached in October and amounted to -17.9% on an annual basis. At the end of the year, the inflation reading was 16.6%. According to the forecasts of market analysts, the value of inflation in the first quarter of 2023, on a year-on-year basis, may exceed the October peak. From the second quarter of 2023, however, we should expect a trend reversal and a smaller and smaller increase in prices.

Due to Poland's immediate proximity to the frontline countries, a rapid influx of refugees from Ukraine and emigrants from Belarus began. There was also a movement in the other direction, some Ukrainian citizens, faced with a threat to their own country, decided to return to their homeland to take part in the war. Both of these phenomena had an impact on the Polish labor market in the short term
and in the longer term, the result of which is the observed low level of unemployment, which in December 2022 amounted to 5.2%. The Eurocash Group employs many people of Ukrainian origin who receive appropriate support and care related to the situation in their homeland.

The activities of the Eurocash Group are focused on the territory of Poland, the warfare started in February 2022 across the eastern border did not stop the Group's current operations. Observing the events and expert analyses, there is no threat of an escalation of the conflict on the territory of the Republic of Poland, which is why the stress scenarios do not assume such a possibility.

We consider the economic effects of the war in Ukraine for the Eurocash Group in two time horizons: short-term and medium-term. In the short term, we observe mainly: an increase in public and private consumption, an increase in the costs of energy, fuel, gas and agricultural produce. According to analysts, in the short term we will not see a permanent strengthening of the zloty against the main world currencies. The growing number of people staying in Poland - refugees from Ukraine and immigrants from Belarus - significantly reduces the risk of a decrease in sales. However, the risk of recession in 2023 remains real, both in Poland and in individual countries of the Western world.

In the medium term, we should see inflation drop to the 1-digit level, according to NBP analyses, this may happen already in the 4th quarter of 2023, then the y/y inflation will amount to 8.0% according to these forecasts, while at the end of 2025 we can expect a return to inflation target. In connection with the limited access to energy resources, intensified trends in the energy transformation are visible, which will probably accelerate in the coming years. In the medium term, the global trend of recovering from recession should have a positive impact on the behavior of the Polish economy.

The above risks will certainly affect the continued operation of the Eurocash Group, however, we do not see them as a threat to the Group's ability to continue its further development.

The Eurocash Group has been actively involved in helping Ukraine by organizing many collections of necessities and campaigns supporting employees from across our eastern border. The group has implemented a support program for employees from Ukraine, in cooperation with the Temporary Employment Agency. This made it possible to bring several hundred family members of the Group's employees to our country. The group also announced a boycott of Russian and Belarusian products. As an expression of solidarity with Ukraine, Group decided to suspend the purchase and sale of these products in all its channels. The Group still plans to continue this type of support until the international situation changes. However, the impact of this decision was not significant for its results.

3. Review of strategic options

In the current reports of 2 April 2021 (current report No. 07/2021) and 1 February 2022 (current report No. 03/2022), the company provided information on the 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 the decision of the Management Board of 28 January 2021, as a result of which the Management Board concluded an agreement with a strategic advisor, and then engaged in this process/concluded agreements with financial and commercial advisors, the purpose of which was to support Companies in identifying and potentially selecting optimal strategic options. At the end of September 2021 (current report No. 03/2022), the Management Board decided to start negotiations with selected potential investors who submitted initial non-binding offers to enter the Company's capital or purchase a selected segment of its business in connection with the considered development options of the Eurocash Group; In order to continue the negotiations, the Company decided to provide 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 process of reviewing strategic options is in progress. It is aimed at choosing the best way to achieve the Company's long-term goal, which is the development of the Group and maximizing its value for the current and future shareholders of the Company.

According to the Company's announcements, during the review, the Company analyzes scenarios, e.g. related to 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 in order to further integrate the Group's structure. The above list of options is not exhaustive and does not preclude consideration of other options not listed above, including disposal of assets, during the review.

4. Incentive and Bonus Program for Employees from 2022

On 30 June 2022, the Ordinary General Meeting of the Company, by Resolution No. 25, established the 2022 Incentive and Bonus Program for Employees (hereinafter the "Program") for certain key employees of the Company and companies directly or indirectly related by capital to the Company (hereinafter "Eurocash Group"). The program is a continuation of incentive programs addressed to managers, executives and employees who are of fundamental importance for the activities conducted by the Eurocash Group, enabling the acquisition of shares in the Company by outstanding persons as part of the bonus.

In connection with the Program, the Company will issue 278,326 (two hundred and seventy-eight thousand, three hundred and twenty-six) Series P registered Bonds, each with a nominal value of PLN 1 (one) grosz, each of which will entitle to subscribe and take up 25 (twenty-five) Series N Shares with priority before the shareholders of the Company. The Series P Bonds will be redeemed by the Company on 3 July 2028 by paying a cash amount equal to the nominal value of the Series P Bonds. for the activities of the Eurocash Group, employed and performing their duties for a period of 3 years starting from 1 January 2022.

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

The list of persons initially entitled to the Program was adopted in the above-mentioned Resolution No. 25 of the Ordinary General Meeting of the Company of 30 June 2022, and then - in accordance with the regulation of the above-mentioned resolutions of the General Meeting - in the resolution of the Supervisory Board of the Company.

NOTE 39.

IMPORTANT EVENTS AFTER THE PERIOD COVERED BY THE FINANCIAL STATEMENTS

On 13.03.2023, Eurocash submitted to the second partner Arhelan sp. z o.o. - the Arhelan-Socially Responsible Foundation (the Foundation) - a declaration of evasion of the legal consequences of the declaration of will - an offer to purchase all the Foundation's shares in the share capital of Arhelan sp. z o.o. of 09.11.2021 (Put Option) as filed under the influence of a legally significant error as to the content of the legal act. In addition, Eurocash evaded the legal consequences of its declaration of will to conclude the Put Option agreement, regulated in Art. 11.3 of the investment agreement of 11.03.2021 (IA). One of the key assumptions underlying the IA, as well as the basis for Eurocash incurring other liabilities with the UI, in particular the reservation of the Put Option, was the integration of Arhelan stores with the "Delikatesy Centrum" chain. The economic goal that Eurocash wanted to achieve as a result of the exercise of the Put Option was to take control over Arhelan, which had a chain of stores, which at the time of the Put Option exercise was to be fully integrated with the "Delikatesy Centrum" chain and was to be part of it. The lack of migration of at least one existing Arhelan store and the consistent attitude of the Foundation led Eurocash to believe that from the very beginning there was no will on the part of the Foundation to carry out the integration process. This crosses out the business assumptions that Eurocash followed when concluding the IA, and in particular when submitting the Put Option to the Foundation.

At the same time, Eurocash indicates that the submission of the above declaration does not affect the 50% stake in the share capital of Arhelan sp. z o.o. already held by Eurocash.

SIGNATURES OF MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
Prezes Zarządu	Paweł Surówka	27 March 2023	
Członek Zarządu	Arnaldo Guerreiro	27 March 2023	
Członek Zarządu	Pedro Martinho	27 March 2023	
Członek Zarządu, Human Resources Director	Katarzyna Kopaczewska	27 March 2023	
Członek Zarządu, Financial Director	Jacek Owczarek	27 March 2023	
Członek Zarządu	Przemysław Ciaś	27 March 2023	
Członek Zarządu	Dariusz Stolarczyk	27 March 2023	
Członek Zarządu	Tomasz Polański	27 March 2023	