EUROCASH S.A. GROUP

CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022

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

KOMORNIKI, 29th August 2022

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INTRODUCTION TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. INFORMATION ABOUT THE PARENT ENTITY

NAME

EUROCASH Spółka Akcyjna ("Company", "Parent Entity")

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Non-specialized wholesale trade (PKD 4690Z)

REGISTRATION COURT

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

DURATION OF THE PARENT COMPANY

Indefinite

PERIOD COVERED BY THE FINANCIAL STATEMENTS

The condensed interim consolidated financial statements cover the period of 6 months ended on 30 June 2022 and contain comparative data for the period of 6 months ended 30 June 2021 and as at 31 December 2021. Statement of comprehensive income, income statement and notes to the statement of comprehensive income, income statement, including data for the 3 months period ended 30 June 2022 and comparative data for the 3 months period ended on 30 June 2021.
The comparative data was presented in accordance with the requirements of IAS 34 "Interim Financial Reporting", which was approved by the European Union.

2. BODIES OF THE PARENT ENTITY

2.1. MANAGEMENT BOARD OF THE PARENT ENTITY

As at 30 June 2022 the Parent Entity'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.

2.2. SUPERVISORY BOARD OF THE PARENT ENTITY

As at 30 June 2022 the Parent Entity's Supervisory Board consisted of the following members:

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

2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

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

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

On 30 June 2022, the Company received a notification from Mr. Luis Manuel Conceicao Pais do Amaral about his resignation from the position of a Member of the Management Board of Eurocash, with effect as at 30 June 2022.

On 30 June 2022, Mr. Luis Manuel Conceicao Pais do Amaral was appointed as the President of the Supervisory Board.

On 30 June 2022, the term of office of Renato Arie as a Member of the Supervisory Board expired.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01.01. TO 30.06.2022

	Non audited 2nd Quarter for the period from 01.04.2022 to 30.06.2022	Non audited 2 Quarters for the period from 01.01.2022 to 30.06.2022	Non audited 2nd Quarter for the period from 01.04.2021 to 30.06.2021	Non audited 2 Quarters for the period from 01.01.2021 to 30.06.2021
Sales	**7 838 764 131**	**14 366 655 354**	**6 550 513 263**	**12 362 608 733**
Sales of goods	7 805 219 038	14 301 311 983	6 517 079 389	12 297 380 689
Sales of services	31 901 471	62 009 619	31 578 824	62 088 417
Sales of materials	1 643 622	3 333 753	1 855 050	3 139 626
Costs of sales	**(6 780 648 594)**	**(12 399 743 426)**	**(5 726 919 701)**	**(10 795 893 977)**
Costs of goods sold	(6 779 140 188)	(12 396 585 794)	(5 725 157 564)	(10 792 961 792)
Costs of materials sold	(1 508 406)	(3 157 633)	(1 762 137)	(2 932 186)
Gross profit (loss)	**1 058 115 537**	**1 966 911 928**	**823 593 562**	**1 566 714 755**
Selling expenses	(830 695 248)	(1 627 801 926)	(690 867 130)	(1 376 349 374)
General and administrative expenses	(126 243 146)	(256 939 627)	(119 424 977)	(224 814 741)
Profit (loss) on sales	**101 177 143**	**82 170 375**	**13 301 454**	**(34 449 360)**
Other operating income	18 551 746	50 333 497	16 521 275	39 345 255
Other operating expenses	(15 250 561)	(26 364 390)	(87 875 499)	(96 568 583)
Operating profit (loss)	**104 478 328**	**106 139 482**	**(58 052 769)**	**(91 672 688)**
Financial income	12 985 910	20 447 988	14 768 891	20 594 511
Financial costs	(65 343 121)	(114 010 016)	(23 774 268)	(62 027 166)
Share in profits (losses) of equity accounted investees	(308 107)	26 993	(11 974)	159 052
Profit (loss) before tax	**51 813 010**	**12 604 447**	**(67 070 120)**	**(132 946 292)**
Income tax expense	(32 621 695)	(43 748 138)	(27 377 828)	(32 413 287)
Profit (loss) for the period	**19 191 315**	**(31 143 691)**	**(94 447 948)**	**(165 359 578)**
Attributable to:				
Owners of the Company	15 104 531	(36 600 672)	(97 392 448)	(167 854 473)
Non-controlling interests	4 086 784	5 456 981	2 944 500	2 494 894

EARNINGS PER SHARE

		PLN / share		PLN / share
Weighted average number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Weighted average diluted number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Earnings per share				
- basic	0,11	(0,26)	(0,70)	(1,21)
- diluted	0,11	(0,26)	(0,70)	(1,21)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01. TO 30.06.2022

	Non audited 2nd Quarter for the period from 01.04.2022 to 30.06.2022	Non audited 2 Quarters for the period from 01.01.2022 to 30.06.2022	Non audited 2nd Quarter for the period from 01.04.2021 to 30.06.2021	Non audited 2 Quarters for the period from 01.01.2021 to 30.06.2021
Profit (loss) for the period	**19 191 315**	**(31 143 691)**	**(94 447 948)**	**(165 359 578)**
Other comprehensive income for the period	89 125	5 043 295	4 395 700	9 394 396
Items that may be subsequently reclassified to profit or loss:				
- The result on hedge accounting with the tax effect:	89 125	5 043 295	4 395 700	9 394 396
Total comprehensive income for the period	**19 280 440**	**(26 100 396)**	**(90 052 248)**	**(155 965 183)**
Total Income				
Owners of the Company	15 193 656	(31 557 378)	(92 996 748)	(158 460 077)
Non-controlling interests	4 086 784	5 456 981	2 944 500	2 494 894
Total comprehensive income for the period	**19 280 440**	**(26 100 396)**	**(90 052 248)**	**(155 965 183)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30.06.2022

	Non audited as at 30.06.2022	as at 31.12.2021
Assets		
Non-current assets (long-term)	**5 242 907 149**	**5 267 502 143**
Goodwill	2 132 168 704	2 130 015 214
Intangible assets	328 212 510	342 766 659
Property, plant and equipment	685 091 291	696 411 473
Right of use assets	1 964 720 324	1 942 045 726
Investment property	998 546	913 684
Investments in equity accounted investees	13 400 750	13 373 757
Other long-term investments	4 445 458	4 603 644
Long-term receivables	14 148 548	14 588 630
Deferred tax assets	96 545 376	118 407 465
Other long-term prepayments	3 175 642	4 375 891
Current assets (short-term)	**3 426 506 513**	**3 219 796 608**
Inventories	1 606 657 068	1 535 646 491
Trade receivables	1 426 731 813	1 332 245 738
Current tax receivables	26 327 052	4 689 846
Other short-term receivables	132 011 459	171 327 055
Other short-term financial assets	20 675 067	14 810 270
Short-term prepayments	47 805 945	40 486 497
Cash and cash equivalents	166 298 109	120 590 711
Total assets	**8 669 413 662**	**8 487 298 751**

Equity and liabilities	Non audited as at 30.06.2022	as at 31.12.2021
Equity	**740 467 710**	**786 596 177**
Equity attributable to Owners of the Company	**648 943 204**	**699 121 094**
Share capital	139 163 286	139 163 286
Reserve capital	581 032 164	581 032 164
Valuation equity of hedging transactions	15 658 227	10 614 932
Option for purchase/selling the shares	(125 249 645)	(115 838 349)
Retained earnings	38 339 172	84 149 061
Accumulated profit / loss from previous years	74 939 844	197 720 592
Profit (loss) for the period	(36 600 673)	(113 571 531)
Non-controlling interests	91 524 506	87 475 083
Liabilities	**7 928 945 951**	**7 700 702 574**
Non-current liabilities	**2 089 186 164**	**2 493 454 819**
Long-term loans and borrowings	169 668 000	581 340 000
Other long-term financial liabilities	125 000 000	125 000 000
Long-term lease liabilities	1 708 067 513	1 701 013 665
Other long-term liabilities	73 671 994	73 736 230
Employee benefits	10 538 100	9 768 044
Provisions	2 240 557	2 596 880
Current liabilities	**5 839 759 787**	**5 207 247 755**
Loans and borrowings	745 093 000	223 530 876
Other short-term financial liabilities	15 326 668	16 763 774
Short-term lease liabilities	430 917 923	400 784 933
Trade payables	3 933 377 048	3 854 074 328
Current tax liabilities	9 083 617	18 049 131
Other short-term payables	211 314 736	202 720 022
Current employee benefits	190 989 704	180 578 334
Provisions	303 657 093	310 746 357
Total equity and liabilities	**8 669 413 662**	**8 487 298 751**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01. TO 30.06.2022

	Non audited 2 Quarters for the period from 01.01.2022 to 30.06.2022	Non audited 2 Quarters for the period from 01.01.2021 to 30.06.2021
Cash flow from operating activities		
Profit (loss) before tax	**12 604 447**	**(132 946 292)**
Adjustments for:	**392 457 059**	**414 124 415**
Depreciation and amortization	301 201 652	294 261 094
Share in profits (losses) of equity accounted investees	(26 993)	(159 052)
Gain (loss) on sale of property, plant and equipment	(506 450)	75 694 301
Profit (loss) on exchange rates	7 591 071	(7 379 206)
Interest expenses	96 481 202	54 797 846
Interest received	(12 283 423)	(3 090 570)
Operating cash before changes in working capital	**405 061 506**	**281 178 123**
Changes in inventory	(71 010 577)	2 113 733
Changes in receivables	(54 778 488)	(148 327 549)
Changes in payables	90 531 278	217 770 726
Changes in provisions and employee benefits	(5 622 874)	15 388 700
Other adjustments	(810 246)	69 585
Operating cash	**363 370 599**	**368 193 318**
Interest received	2 297 567	1 788 454
Interest paid	(28 734 547)	(11 074 300)
Income tax paid	(60 944 453)	(35 913 142)
Net cash from operating activities	**275 989 165**	**322 994 330**
Cash flow from investing activities		
Aquisition of intangible assets	(22 308 226)	(23 021 702)
Proceeds from sale of intangible assets, property, plant and equipment	21 270	1 423 657
Aquisition of property, plant and equipment tangible fixed assets	(82 494 631)	(69 595 587)
Proceeds from sale of property, plant and equipment	8 928 419	9 027 387
Income/expenses on other short-term financial assets	-	(19 229)
Aquisition of subsidiaries, net of cash aquired	(1 408 456)	-
Loans granted	-	(130 108)
Interest received	1 362 229	1 211 666
Net cash used in investing activities	**(95 899 395)**	**(81 103 916)**
Cash flow from financing activities		
Financing for franchisees	(1 437 107)	390 341
Proceeds from loans and borrowings	170 936 534	106 951 582
Repayment of borrowings	(61 046 411)	(135 830 381)
Income/expenses for liabilities from leasing	(188 307 806)	(172 708 185)
Other interests	(28 619 040)	(36 437 075)
Interests on loans and borrowings	(25 908 544)	(7 000 042)
Dividends paid	-	(246 371)
Net cash used in financing activities	**(134 382 372)**	**(244 880 132)**
Net change in cash and cash equivalents	**45 707 398**	**(2 989 718)**
Cash and cash equivalents at the beginning of the period	120 590 711	117 491 807
Cash and cash equivalents at the end of the period	**166 298 109**	**114 502 089**

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	*01.01-30.06.2022*	**Presentation currency:**	*Polish zloty (PLN)*
Level of round-offs:	*All amounts are expressed in Polish zloty (unless indicated otherwise)*		

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 01.01. TO 30.06.2022

	Share capital	Reserve capital	Option for purchase/selling the shares	Hedge reserve	Retained earnings	Equity attributable to Owners of the Company	Non-controlling interests	**Total**
Changes in equity in the period from 01.01 to 30.06.2021 - non audited								
Balance as at 01.01.2021 after changes	**139 163 286**	**581 032 165**	**(49 561 267)**	**(21 734 503)**	**267 507 683**	**916 407 364**	**67 719 368**	**984 126 732**
Owners of the Company	**-**	**-**	**-**	**-**	(167 854 473)	**(167 854 473)**	**-**	**(167 854 473)**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	2 494 894	**2 494 894**
Net profit presented directly in equity	**-**	**-**	**-**	**9 394 396**	**-**	**9 394 396**	**-**	**9 394 396**
Total comprehensive income for the period from 01.01. to 30.06.2021	**-**	**-**	**-**	**9 394 396**	**(167 854 473)**	**(158 460 077)**	**2 494 894**	**(155 965 183)**
Dividends declared	-	-	-	-	(74 910 750)	**(74 910 750)**		**(74 910 750)**
Option for purchase/selling the shares	-	-	2 193 174	-	-	**2 193 174**	-	**2 193 174**
Other	-	-	-	-	(2 085 182)	**(2 085 182)**	-	**(2 085 182)**
Total contributions by and distributions to Owners of the Company	**-**	**-**	**2 193 174**	**-**	**(76 995 932)**	**(74 802 758)**	**-**	**(74 802 758)**
Balance as at 30.06.2021	**139 163 286**	**581 032 165**	**(47 368 094)**	**(12 340 107)**	**22 657 279**	**683 144 529**	**70 214 262**	**753 358 791**
Changes in equity in the period from 01.01 to 30.06.2022 - non audited								
Balance as at 01.01.2022	**139 163 286**	**581 032 164**	**(115 838 349)**	**10 614 932**	**84 149 061**	**699 121 094**	**87 475 083**	**786 596 177**
Owners of the Company	-	-	-	-	(36 600 672)	**(36 600 672)**	-	**(36 600 672)**
Non-controlling interests	-	-	-	-	-	**-**	4 049 423	**4 049 423**
Other comprehensive income	-	-	-	5 043 295	-	**5 043 295**	-	**5 043 295**
Total comprehensive income for the period from 01.01. to 30.06.2022	**-**	**-**	**-**	**5 043 295**	**(36 600 672)**	**(31 557 378)**	**4 049 423**	**(27 507 954)**
Option for purchase/selling the shares	-	-	(9 411 296)	-		**(9 411 296)**	-	**(9 411 296)**
Other	-	-	-	-	(9 209 217)	**(9 209 217)**	-	**(9 209 217)**
Total contributions by and distributions to Owners of the Company	**-**	**-**	**(9 411 296)**	**-**	**(9 209 217)**	**(18 620 514)**	**-**	**(18 620 514)**
Balance as at 30.06.2022	**139 163 286**	**581 032 164**	**(125 249 645)**	**15 658 227**	**38 339 172**	**648 943 204**	**91 524 506**	**740 467 710**

SUPPLEMENTARY INFORMATION TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2021 TO 30.06.2022

1. GENERAL INFORMATION

1.1. ISSUE OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

According to the resolution of the Management Board dated 29 August 2022, the consolidated financial statements of Eurocash Group for the period from 1 January 2022 to 30 June 2022 were authorized for publication.

According to the information included in the report no. 17/2022 dated 16 August 2022 sent to the Polish Financial Supervision Authority, Eurocash S.A. issues its interim consolidated financial statements on 29 August 2022.

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

1.2. STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements of Eurocash S.A. Group have been prepared in accordance with IAS 34 - Interim Financial Reporting, approved by European Union.

These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Eurocash S.A. Group as at and for the year ended 31 December 2021, which is available on the website www.grupaeurocash.pl.

1.3. PRESENTATION CURRENCY, ROUNDINGS

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

1.4. USE OF ESTIMATES AND JUDGEMENTS

Preparing financial statements in conformity with UE IFRS requires the Management Board 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 were made based on past experience and other factors accepted as reasonable in the given circumstances, and the results of these estimates and judgments were the basis for determining the carrying values of assets and liabilities that were not directly derived from other sources. The actual results may differ from those estimates.

The estimates and related assumptions are reviewed on an ongoing basis. A change in accounting estimates is recognized in the period in which the estimate was changed or in the current and future periods if the change in the estimate applies to both the current and future periods.

Impairment of fixed assets

The analysis of the premises for impairment and the performance of tests requires judgment. In this context, in particular, the feasibility of budgets and the impact of the Covid-19 pandemic on the Group's operations were analyzed. In the retail segment, the Eurocash Group improves its results in the first half of 2022 compared to 2021 and implements the assumed budgets that were the basis for the calculation of discounted cash flows adopted for the impairment test as at 31 December 2021. A similar situation as at 30 June 2022 occurs in the wholesale segment.

The Group also analyzed the impact of changes in interest rates on the discount rate. The change in the discount rate did not affect the assessment of goodwill impairment in both segments.

As a result of the conducted analyzes, the Group did not find any premises for impairment tests of goodwill and other assets as at 30 June 2022, and concluded that the tests of 31 December 2021 are valid.

Impairment of trade receivables

In the current period, estimates of expected credit losses were updated. Details are included in note 3.

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

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

Leasing - recognition of the lessee

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

Classification of liabilities due to reverse factoring

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

- payment terms to suppliers,
- the size of the dates of occurrence and the nature of future cash flows,
- trade credit financing costs.

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

Share purchase options

On 9 November 2021, Eurocash purchased 49% of shares in Arhelan Sp.z o.o.
On 13 May 2022, Eurocash purchased 1% of shares in Arhelan Sp. z o.o. and reached the announced 50% of shares in the share capital of Arhelan.

In addition, as part of the transaction, options (conditional or unconditional) were granted, which - if exercised by the relevant party - will result in the purchase of the remaining 50% of shares by Eurocash (as a result of which Eurocash will own 100% of Arhelan shares).
The company also has an option to purchase 50% of the shares in Firma Rogala.
The option to purchase / sell shares of Rogala was included in the statement of financial position in Other liabilities in the short-term part, and in the long-term part of Arhelan companies.
In the case of Arhelan, the valuation is based on the estimated future results of the Company, and in the case of Rogala, on the basis of the results of the last 12 months.

Depreciation rates

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

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

Tradis customer relations

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

Split payment

According to the Management Board's assessment, restrictions on the disposal of cash in VAT accounts resulting from tax regulations regarding the split payment mechanism do not affect their classification as cash and cash equivalents, as the Group uses them on an ongoing basis to settle short-term liabilities. At the end of September, the amount collected on the Group's VAT accounts results only from the daily mismatch between payments and inflows on the VAT account.

Deferred tax asset

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

Court cases

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

1.5. COMPARABILITY OF FINANCIAL STATEMENTS

Accounting principles as well as calculation methods applied in the preparation of these condensed interim consolidated financial statements remained unchanged in comparison to the ones applied in the last annual consolidated financial statements for the financial year ended 31 December 2021,

1.6. INFORMATION ABOUT THE PARENT ENTITY AND THE CAPITAL GROUP

Eurocash Spółka Akcyjna is the Parent Entity, registered in the District Court Poznań - Nowe Miasto and Wilda in Poznań, VIII Commercial Department of the National Court Register; registration number: KRS 00000213765; located in Komorniki, ul. Wiśniowa 11.
The core business activity of the Parent Entity is non-specialized wholesale trade (PKD 4690Z).
Shares of Eurocash S.A. are traded on Warsaw Stock Exchange.
Eurocash Group comprises Eurocash S.A. and subsidiaries.

1.7. GOING CONCERN ASSUMPTION

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

A. The macroeconomic situation

The first quarter of 2022 in the Polish economy was marked by inflation, which at the start, as at 31 December 2021, amounted to 8.6% y/y. As at 30 June 2022, the annual price change index increased to 15.5% (CPI), while food price inflation was 14.2% and the core inflation was 9.1%.

The annual GDP growth, after initial increases to 8.5% (31 May 2022), returned to the levels from the beginning of the year (5.3%) at the end of summer.

Despite the influx of Ukrainian citizens, we are dealing with a sustained improvement in the labor market. Since January 2022, the unemployment rate has decreased from 5.5% to 4.9% (recorded in July 2022) and, as shown by Eurostat data, the decline in unemployment is combined with an increase in labor productivity.

The first half of 2022, despite these tensions, had a positive impact on the FMCG market in Poland. Consumption grew with a simultaneous increase in both operating costs (fuel, energy and salaries) and financial costs. The macroeconomic conditions did not have a significant negative impact on the Group's situation in the first half of 2022.

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

B. The economic and balance sheet situation of the Group in the first half of 2022

In the first half of the year, Eurocash Group recorded a positive trend of sales growth and results at the level of EBIT and EBITDA. This increase took place both in the retail and wholesale segments.
In the first half of 2022, comparing to the same period of the previous year, the Eurocash Group achieved an increase in sales of goods by 16.3% and an increase in EBITDA of PLN 205 million.

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

In the first half of 2022, the Group generated cash from operating activities in the amount of PLN 276.0 million, while in the similar period of the previous year, the Group's cash flows from operating activities amounted to PLN 323 million.

As at 30 June 2022, there was a surplus of current liabilities over its current assets in the amount of PLN 2.41 billion, which, according to the Management Board, is typical for the industry in which the Group operates, in which a significant part of sales is made on cash terms, inventories are minimized , and suppliers provide deferred payment terms, while the Group also uses reverse factoring instruments and short-term bank loans to finance the working capital. The Group's net working capital (including inventories, trade receivables and trade payables) was negative and amounted to minus PLN 900 million as at 30 June 2022, compared to minus PLN 1,070 million as at 30 June 2021. In the first half of the year, the profit on sales amounted to approximately PLN 82 million and was higher by PLN 117 million than in the previous year.

C. Funding instruments used in the first half of 2022

Note no 3 presents all instruments used to finance both operating and investment activities. Among them are: bonds, bank loans, reverse factoring, factoring of receivables and leasing. In the first half of 2022, the value of these instruments changed as follows:

- Available limits in bank loans were reduced by PLN 129 million from PLN 1,359 million available as at 31 December 2021 to PLN 1,230 million as at 30 June 2022. The decrease results from: (1) the repayment schedule of investment loans, (2) the repayment of turnover loans in the amount of PLN 75 million, (3) the reduction of the loan amount at Eurocash Serwis (with a liquidity surplus) by PLN 25 million and (4) the need to finance expiring reverse factoring line as described in the note on Going Concern in the financial statements for 2021. As at the balance sheet date, 30 June 2022, the Group had unused credit limits in the amount of PLN 324 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, 30 June 2022, the Group financed its operations using reverse factoring in the amount of PLN 1,283 million, while as at 31 December 2021 this amount was PLN 1,780 million. The decrease in use resulted from the reduction of the limits described in the annual report for 2021. The use of the reverse factoring line in both reporting periods exceeds 90%, 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 30 June 2022 by 200 million from PLN 325 million to PLN 525 million, while the use of this instrument increased from PLN 208 million to PLN 336 million. In the opinion of the Management Board, factoring of receivables secures against the risk of a potential future liquidity gap.
- As at 30 June 2022, the Group companies had active lease contracts that would have been recognized in the statement of financial position as a liability even before the implementation of IFRS16, with a total exposure of PLN 37.6 million (as at 31 December 2021, it was PLN 31.8 PLN million), of which PLN 28.4 million related only to Frisco S.A. Additional income from the implementation of IFRS 16 resulting from lease agreements and lease agreements with entities other than financial institutions amounts to PLN 2.101 million. The total amount of the Group's total lease liabilities is PLN 2.139 million and increased in the first six months of 2022 by PLN 37 million.

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

Limits	30.06.2022	31.12.2021	30.06.2021	31.12.2020
Bonds (program)*	1 000	1 000	1 000	1 000
Bank credits	1 230	1 359	1 303	1 252
Bank guarantees	252	281	230	230
Receivables factoring	525	325	325	380
Reverse factoring	1 417	1 915	2 138	2 157

Use	30.06.2022	31.12.2021	30.06.2021	31.12.2020
Bonds (program)*	125	125	125	125
Bank credits	906	796	655	681
Bank guarantees	202	215	207	217
Receivables factoring	336	208	169	170
Reverse factoring	1 283	1 780	1 976	1 796

% Use	30.06.2022	31.12.2021	30.06.2021	31.12.2020
Bonds (program)*	13%	13%	13%	13%
Bank credits	74%	59%	50%	54%
Bank guarantees	80%	77%	90%	94%
Receivables factoring	64%	64%	52%	45%
Reverse factoring	91%	93%	92%	83%

The conditions precedent related to the financial agreements are monitored on an ongoing basis and as at 30 June 2022, they were not breached.

D. Financing of activities in subsequent periods

The financial plans prepared by the Management Board for 2022 and the first half of 2023 indicate that the Group will maintain liquidity and service 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.

Credit lines by maturity as at 30.06.2022

As at 30.06.2022 mln PLN	III quarter 2022	IV quarter 2022	2023 and later	Total
Limits	30	203	998	1 230
Used	7	7	892	906

The structure of assets and liabilities of FMCG companies is characterized by the short-term nature of financing programs. Eurocash is no different in this respect.

Eurocash uses the following advantages when pursuing a policy of maintaining relationships with banks:

1. the long-term nature of this relationship combined with the persistent interest benefits of the banking sector,
2. no dependence on a limited group of financing entities,
3. positive history of payment behavior of the entire Group,
4. experience in using government programs supporting enterprises in crisis situations (e.g. BGK support).

In the short-term loan portfolio, the limit value of which as at 30 June 2022 amounted to PLN 1,230 million, there are 3 agreements secured with a guarantee of Bank Gospodarstwa Krajowego in total for the amount of PLN 170 million. The maturity of these loans is in the first half of 2023. The Management Board is of the opinion that financial institutions will be interested in extending these lines for the next years.

The group is currently considering a syndicated revolving loan refinancing (RCF) project. The Management Board has started talks with banks aimed at obtaining a minimum 3-year loan.

As at 30.06.2022 mln PLN	III quarter 2022	IV quarter 2022	2023 and later	Indefinite	Total
Factoring limitse	380	150	550	465	1 545
Use	233	150	493	407	1 283

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

Trade liabilities vs. factoring liabilities

As at 30.06.2022 mln PLN	31.12. 2020	31.03. 2021	30.06. 2021	30.09. 2021	31.12. 2021	31.03. 2022	30.06. 2022
Trade liabilities	3 720	3 684	3 891	3 880	3 854	3 674	3 933
Reverse factoring liabilities	1 814	1 772	1 976	1 888	1 780	1 446	1 283

The Group analyzed the timeliness of payment of its trade liabilities. Details are included in Note 3. The Group plans to continue its balance sheet policy in which working capital plays a significant role in financing operating activities.

In the first half of 2022, the scenario in which a similar level of balance sheet financing was maintained, and negotiations with suppliers of goods allowed for the effective reduction of the negative effect of reducing factoring limits.

Liquidity forecast

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

The Management Board of the Company decided to continue cooperation with an external advisor and together with him a liquidity model of the entire Group was prepared, on the basis of which it is possible to periodically assess the continuation of the Company's operations. The following input data was used to prepare the liquidity forecast for the period of subsequent months until September 30, 2023:

- 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
- Forecasts of investment expenditure
- Historical use and availability of funding instruments
- Historical and forecast DPOs, DSOs and DIOs for the main units (DPO for companies and other ratios consolidated).
- Value of Back Discounts from Suppliers
- Historical value of taxes paid and a forecast of future payments

The model assumes that the currently available financing lines will be maintained as at the date of this note.

The net debt forecast shows a standard seasonality related to sales values in particular seasons of the year. 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 results directly from the 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 any form of financing in each of the future periods, and the model assumes the maximum use of factoring to leave free funds for the repayment of financial debt. The use of credit lines differs from net debt by the amount of finance lease, which traditionally (even before the change resulting from IFRS16) was and is included in this item. The amount of drawn bonds is compensated in net debt by the amount of free cash.

The Management Board conducted scenario analyzes of the presented model. The stress was placed on (1) consumer prices and their impact on sales, profits and costs of the Group, (2) availability of credit limits (3) 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 that there is no significant uncertainty for the continuation of its operations.

E. Conclusions

Group financing for the period of the analysis is ensured. None of the financial institutions are currently in talks with Eurocash S.A. on changes to financing conditions. Therefore, the Management Board do not see any indications that the level of available funding will change.

Operating activities, reflected in the financial results of the Group, significantly improved in the first half of 2022 compared to the first half of 2021. The forecasts for the following quarters also indicate an increase in results in each segment of the activity.

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 - a better generation of cash. The Group has stable financing, but also has adequate reserves to react to unforeseen macroeconomic changes.

It is also worth emphasizing that the Group maintained its position as the market leader in the wholesale segment with a very high market share of 28%. The key role of the Group for independent stores in Poland and the market shares in sales of individual suppliers mean that they (especially large-scale suppliers) show far-reaching loyalty and the Management Board recognizes that long-term cooperation with them is not at risk.

At the same time, a process is carried out in cooperation with a strategic advisor, the purpose of which is to simplify the management structure and to implement the strategic advantages of the entire Group. Due to the advancement of the talks, it is not possible to predict which strategic option will be chosen. The expected effect of the implementation of these options is gaining a strategic investor or direct de-investment from the parts of business segments, which in both cases should lead to a significant improvement in the Group's liquidity.

After analyzing the described financial situation of Eurocash Group and the facts mentioned above, the Management Board declares that it does not see any threats to the continuation of operations in the next 12 months.

2. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2021 TO 30.06.2022

NOTE 1.
ACQUISITION OF SHARES IN SUBSIDIARIES

Acquisition of 50% of company Arhelan Sp. z o.o.

General information

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

On 13 May 2022, Eurocash purchased 1% of shares in Arhelan Sp. z o.o. and reached the announced 50% stake in the share capital of Arhelan. Due to the fact that the Eurocash Group has been consolidating Arhelan since November 2021 (i.e. from the acquisition of a 49% stake in the company), the acquisition of 1% of shares from the Eurocash Group's perspective does not constitute a significant change.

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

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

GENERAL INFORMATION CONCERNING BUSINESS ACQUISITION OF THE UNITS	
1. Name of acquired company	Arhelan Sp. z o.o.
2. Acquisition date of 49%	09.11.2021
3. Acquisition date of 1%	13.05.2022
4. Acquisition cost	102 621 665

Settlement for the acquisition of business units

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

	Settlement of the acquisition as at 13.05.2022
Assets	
Non-current assets (long-term)	**79 759 149**
Intangible assets	910 454
Tangible fixed assets	16 108 033
Assets due to the right of use (IFRS 16)	62 228 496
Long-term receivables	91 826
Other long-term prepayments	420 340
Current assets (short-term)	**40 877 117**
Inventory	26 699 963
Trade receivables	4 093 133
Other short-term receivables	62 949
Short-term prepayments	8 755 775
Cash and cash equivalents	1 265 297
Total assets	**120 636 266**
Equity nad liabilities	
Liabilities	**105 149 499**
Non-current liabilities	**59 973 109**
Long-term loans and credits	5 418 000
Other long-term liabilities	52 008 191
Long-term finance lease liabilities (MSSF16)	2 178 487
Other long-term provision	368 431
Current liabilities	**45 176 391**
Short-term loans and credits	1 032 000
Short-term finance lease liabilities	1 040 376
Short-term finance lease liabilities (MSSF16)	10 220 304
Trade liabilities	23 300 454
Current income tax liabilities	1 631 255
Other short-term liabilities	3 868 635
Current employee benefits	2 445 329
Other short-term provisions	1 638 038
Pasywa razem	**120 636 266**
Net assets	**15 486 767**
Net assets acquired (50 %)	15 486 767
Goodwill on acquisition	87 134 898
Acquisition cost	**102 621 665**

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

NOTE 2.
OPERATING SEGMENTS

The Group presents the following segments, which correctly show the diverse of the activity:

- *Wholesale* - The segment includes wholesale operations carried out by the following distribution formats and companies: Eurocash Cash & Carry, Eurocash Alkohole, Eurocash Serwis Sp. z o.o., Eurocash Trade 1 Sp. z o.o. and Polska Dystrybucja Alkoholi Sp. z o.o. as well as sales transacted by those distribution formats whose clients have long-term agreements with Eurocash Group, e.g. franchise systems Groszek, Lewiatan, Gama, Eurosklep, Abc or clients from the HoReCa segment, as well as operations of such a franchise systems as: Lewiatan, Groszek and Euro Sklep. The segment involves the operations of the following companies: Eurocash S.A., Groszek Sp. z o.o., Euro Sklep S.A., Lewiatan Śląsk Sp. z o.o., Lewiatan Podlasie Sp. z o.o., Lewiatan Holding S.A., Lewiatan Zachód Sp. z o.o., Lewiatan Wielkopolska Sp. z o.o., Lewiatan Kujawy sp. z o.o., Lewiatan Opole Sp. z o.o., Lewiatan Orbita Sp. z o.o., Lewiatan Północ Sp. z o.o., Lewiatan Podkarpacie Sp. z o.o. Moreover, this segment includes sales transacted by the Eurocash Gastronomia format, as well as sales realized by Eurocash Dystrybucja under entity Eurocash S.A. and sales realized by Cerville Investments Sp. z o.o., Ambra Sp. z o.o. and 4vapers Sp. z o.o.
- *Retail* - retail sale of Eurocash Group companies within the following entities: Inmedio Sp. z o.o., Firma Rogala Sp. z o.o., FHC-2 Sp. z o.o., Madas Sp. z o.o., EKO Holding S.A. w likwidacji, Eurocash Nieruchomości Sp. z o.o. (previously Koja-Invest Sp. z o.o.), Partner Sp. z o.o., Podlaskie Delikatesy Centrum Sp. z o.o., Delikatesy Centrum Sp. z o.o., Arhelan Sp. z o.o. as well as mark Delikatesy Centrum as part of sales to customers of this franchise system by Eurocash S.A. and Eurocash Franczyza Sp.z o.o. and developed by Eurocash Group project of distribution of fresh products.
- *Projects* – this operating segment comprises the Group's new projects and retail formats in their initial phase of development, operating as the following entities: Kontigo Sp. z o.o, ABC na kołach Sp. z o.o., Duży Ben Sp. z o.o., Innowacyjna Platforma Handlu Sp. z o.o. (previously Platforma Innowacji Handlu Sp. z o.o.). In addition, the segment includes the activities of the subsidiary Frisco S.A. developing activities in the e-commerce sector.
- *Other* – sales realized by Eurocash VC3 Sp. z o.o. Detal Finanse Sp. z o.o., Akademia Umiejętności Eurocash Sp. z o.o. and the Group's general and administrative expenses not allocated to any operating segment.

There are varying levels of relationships between the segments in the Group. These relationships include mutual sales of merchandise, provision of marketing services, logistics, administrative support, and other services. The accounting policies of each specific reporting segment are the same as the policies of the whole Group.
Eurocash Group operates only in the territory of Poland which, considering the economic conditions and business risks, can be treated as a uniform territory.

In the FMCG retail and wholesale sector, sales in the first quarter of the year are traditionally lower than in the remaining quarters. Highest sales are generated in the summer season, to flatline in Q4.

Basic information about each reportable segment is shown below.

REVENUES AND PROFITS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2021 TO 30 JUNE 2022

	Wholesale	Retail	Projects	Other	Exclusions	Total
Sales	**11 487 719 603**	**4 821 425 921**	**358 133 244**	**2 275 201**	**(2 302 898 615)**	**14 366 655 355**
External sales of goods	10 351 185 017	3 600 929 870	349 197 095	-	-	14 301 311 983
Other external sales	23 272 176	38 181 283	3 880 001	9 912	-	65 343 371
Inter-segmental sales	1 113 262 410	1 182 314 768	5 056 148	2 265 290	(2 302 898 615)	-
Operating profit	**238 302 219**	**1 492 511**	**(66 345 322)**	**(67 309 926)**	**-**	**106 139 482**
Finance income						20 447 988
Finance costs						(114 010 016)
Share in losses of companies consolidated with the equity method						26 993
Profit before income tax						**12 604 447**
Income tax						(43 748 138)
Net profit (loss)						**(31 143 691)**

REVENUES AND PROFITS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2021 TO 30 JUNE 2021

	Wholesale	Retail	Projects	Other	Exclusions	Total
Sales	**9 978 418 280**	**4 163 765 072**	**258 132 503**	**2 086 910**	**(2 039 794 032)**	**12 362 608 732**
External sales of goods	9 042 661 290	3 007 717 918	247 001 481	-	-	12 297 380 689
Other external sales	19 458 015	38 377 738	7 392 291	-	-	65 228 044
Inter-segmental sales	916 298 975	1 117 669 416	3 738 732	2 086 910	(2 039 794 032)	-
Operating profit	**160 520 431**	**(139 696 904)**	**(45 736 084)**	**(66 760 131)**	**-**	**(91 672 688)**
Finance income						20 594 511
Finance costs						(62 027 166)
Share in losses of companies consolidated with the equity method						159 052
Profit before income tax						**(132 946 292)**
Income tax						(32 413 287)
Net profit (loss)						**(165 359 578)**

NOTE 3.
EXPLANATIONS TO CONSOLIDATED INCOME STATEMENT

Sales revenue

The sale of goods is homogeneous.

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

Operating income and expenses

The increase in operating income in the first half of 2022 compared to 2021 is mainly due to better collection of receivables and optimization of logistics processes. The decrease in operating expenses in the first half of 2022 comparing to 2021 is related to the write-off of fixed assets and rights to use related to the locations to be closed, which the Group made in the comparative period.

Financial costs

The change in financial costs in the first half of 2022 compared to 2021 was related, inter alia, to an increase in interest expense and an unfavorable impact of foreign exchange differences related to the valuation of lease liabilities denominated in foreign currencies.

Income tax

The table below presents the factors affecting the current tax rate of the Group.

	for the period from 01.04.2022 to 30.06.2022	for the period from 01.01.2022 to 30.06.2022	for the period from 01.04.2021 to 30.06.2021	for the period from 01.01.2021 to 30.06.2021
Profit (loss) before tax	**51 813 010**	**12 604 447**	**(67 070 120)**	**(132 946 292)**
Income tax expense	(32 621 695)	(43 748 138)	(27 377 828)	(32 413 287)
Profit (loss) for the period	**19 191 315**	**(31 143 691)**	**(94 447 948)**	**(165 359 578)**
% tax rate (effective)	-63,0%	-347,1%	40,8%	24,4%
Differences:				
Fixed costs not constituting tax deductible costs	-1 408 544	-3 345 874	-17 936 259	-18 613 419
Impact of tax loss assets	-17 177 864	-33 698 103	-21 570 244	-38 660 433
Other	-4 074 899	-4 311 319	-591 259	-408 241
Profit (loss) before tax	**51 813 010**	**12 604 447**	**(67 070 120)**	**(132 946 292)**
Income tax expense	(9 960 389)	(2 392 843)	12 719 934	25 268 806
Profit (loss) for the period	**41 852 622**	**10 211 604**	**(54 350 185)**	**(107 677 486)**
% tax rate (effective)	-19%	-19%	-19%	-19%

Intangible assets and tangible fixed assets

Expenses for the purchase of intangible assets and tangible fixed assets are recognized in cash flows under expenses and inflows for intangible assets and tangible assets

Inventories

The value of inventories as at 30 June 2022 is comparable to their state as at 31 December 2021. The values concerning the write-off for inventories are presented below.

WRITE-OFF OF INVENTORIES IN THE PERIOD FROM 01.01 TO 30.06.2022

	for the period from 01.01.2022 to 30.06.2022	for the period from 01.01.2021 to 31.12.2021
Opening balance	**50 582 336**	**41 665 897**
- increase *	2 869 295	8 916 439
- decrease *	-	-
Closing balance	**53 451 631**	**50 582 336**

Trade receivables

The Group's credit risk in relation to receivables differs for individual groups of contractors with which the Group cooperates. The Group monitors the amount of overdue receivables on an ongoing basis and, in justified cases, makes legal claims.

The Group makes write-offs of receivables in relation to the expected credit losses, which result directly from the risk of each client and are calculated on the basis of models taking into account, payment history, type of business, geolocation, cooperation evaluation and financial data. In 2022, the analysis showed that the write-down calculated in accordance with the expected credit loss model is highly correlated in terms of value with the amount of the write-off made in accordance with the principle of significantly overdue receivables, while the expected credit loss model was based on the standard approach in which:

1. The ECL (Expected Credit Loss) is equal to (EAD) the product of the customer's balance, (PD) the probability of at least 90 days delay in payment and (LGD) the amount of losses incurred in the event of default.
2. PD was calculated on the basis of an artificial intelligence algorithm taking into account the history of payments, type of activity, geolocation. The modeling result was compared (using a weight) with the assessment of cooperation with the client made separately by the sales and debt collection departments.
3. The level of LGD is influenced by the security provided by customers.

The analysis of concentration shows its actual lack.

Balance range	Number of customers	% of number of customers	Balance	% of Group's balance
>10mln	3	0,01%	38 832 852	3,84%
5-10mln	7	0,02%	50 267 328	4,97%
2-5mln	26	0,07%	72 933 639	7,22%
1-2mln	43	0,12%	59 584 367	5,89%
0,5-1mln	154	0,44%	106 485 509	10,53%
0,2-0,5mln	567	1,63%	172 183 281	17,03%
0,1-0,2mln	949	2,73%	134 363 264	13,29%
0,05-0,1mln	1 621	4,66%	113 960 976	11,27%
<0,05mln	28 376	81,60%	266 266 265	26,34%
negative	3 028	8,71%	-4 058 331	-0,40%

Aging of trade receivables as at 30.06.2022:

AGING OF TRADE RECEIVABLES AS AT 30.06.2022

	Trade receivables gross value 30.06.2022	Trade receivables gross value 31.12.2021
current	1 301 121 147	1 117 732 939
1-30 days	83 061 862	164 180 844
31-90 days	50 025 937	55 542 275
91-180 days	7 679 777	9 310 427
> 180 days	24 490 379	30 685 174
	1 466 379 102	**1 377 451 659**

WRITE-OFF OF TRADE RECEIVABLES AS AT 30.06.2022

	for the period from 01.01.2022 to 30.06.2022	for the period from 01.01.2021 to 31.12.2021
Opening balance	**45 205 922**	**68 566 577**
Increase *		-
Decrease *	(5 558 632)	(23 360 656)
Closing balance	**39 647 289**	**45 205 922**

* net value

Valuation equity of hedging transactions

The Group uses hedging instruments for cash flow connected with interest-bearing liabilities. Future loans are also hedged. The instrument hedging the expert opinion against the interest risk is the interest Rate Swap transaction, within the Group exchanges of payable payments flow with a variable WIBOR 1M into payments with a fixed interest rate. The Company choose designated instruments as hedging instruments in the amount of the hedge and recognizes them in accordance with the hedge accounting regulations.

Notional	Issuing Date	Start Date	End Date	Valuation 30.06.2022
100 000 000	30.08.2019	02.09.2019	31.08.2022	-871 263
100 000 000	30.08.2019	02.09.2019	31.08.2022	-871 263
100 000 000	29.08.2019	02.09.2019	29.07.2022	-1 227 095
200 000 000	28.02.2020	07.01.2022	09.01.2023	-6 699 953
100 000 000	09.03.2020	05.03.2021	06.03.2023	-4 717 773
100 000 000	03.03.2020	04.03.2022	06.03.2023	-4 510 465
100 000 000	07.04.2021	17.01.2022	16.01.2023	-3 846 956
17 593 620	02.04.2021	15.04.2021	16.03.2026	-1 729 133
1 674 859	02.04.2021	20.04.2021	20.11.2024	-91 754
500 327	02.04.2021	15.04.2021	15.10.2024	-26 111
278 709	02.04.2021	30.04.2021	31.01.2025	-16 324
255 319	02.04.2021	30.04.2021	31.08.2024	-16 643

Trade liabilities

Eurocash made the assessment of the liabilities covered by reverse factoring and based on this judgment classified liabilities under reverse factoring as a trade liabilities, as there were no significant changes in the nature of these liabilities, in particular significant changes in the terms of payment, as a result of submitting the given factoring obligations. As part of the balance of trade payables as at 30 June 2022, the value of balances covered by the supplier financing program was recognized in the amount of PLN 1.282.797.605 while as at 31 December 2021 the corresponding value of balances was PLN 1.779.962.998.

The Group uses 6 reverse factoring lines to finance deliveries from 60 suppliers. The terms of payment to the factor do not differ from the payment terms agreed with the suppliers. Factoring agreements are a financial instrument secured as standard with an intra-group surety, a promissory note or a declaration of submission to enforcement.

The risk of losing financial liquidity is presented in item 1.7.

Aging of trade liabilities is presented in the table below:

AGING OF TRADE LIABILITIES AS AT 30.06.2022	30.06.2022	31.12.2021
current	3 928 653 851	3 841 255 665
1-30 days	576 554	8 477 135
31-90 days	575 144	549 772
91-180 days	748 207	552 012
> 180 days	2 823 291	3 239 746
	3 933 377 048	**3 854 074 329**

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

NOTE 4.
BOOK VALUE PER SHARE A AT 30.06.2022

BOOK VALUE PER SHARE

	Non audited as at 30.06.2022	as at 31.12.2021
Equity attributable to Owners of the Company	**648 943 204**	**699 121 094**
Number of shares	139 163 286	139 163 286
Diluted number of shares	139 163 286	139 163 286
Book value per share	**4,66**	**5,02**
Diluted book value per share	**4,66**	**5,02**

NOTE 5.
ITEMS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

CONTINGENTIES AS AT 30 JUNE 2022

	Beneficiary	Title	Currency	as at 30.06.2022	as at 31.12.2021
1	Bank 1*	Surety for the obligations due to the "Franchise partners financing program" for the Franchisee Delikatesy Centrum"	PLN	40 580	184 020
				40 580	**184 020**

** debt value as at balance sheet date*

BANK GUARANTEES AS AT 30 JUNE 2022 - SECURITIES FOR RENT LIABILITIES

	The Issuer	Title	Currency	as at 30.06.2022	as at 31.12.2021
1	Bank 1	Security of payments to suppliers	PLN	114 116 845	129 623 200
2	Bank 2	Security of payments to suppliers *	PLN	26 679 420	23 916 880
3	Bank 3	Security for using of the national roads	PLN	700 000	1 320 100
4	Bank 4	Security of excise duty	PLN	-	500 000
5	Bank 5	Security of rent liabilities	PLN	12 558 531	12 375 940
6	Bank 6	Security of rent liabilities *	PLN	40 146 601	40 607 762
7	Bank 7	Security of the liabilities of the promotion lottery	PLN	4 744 500	4 930 000
8	Bank 8	Security of the liabilities of the good service performance	PLN	2 689 677	2 643 016
				201 635 575	**215 916 898**

** - Guarantee in EUR is translated into PLN at the average exchange rate of NBP:*
as at 30.06.2022: 1 EUR = 4,6806 PLN
as at 31.12.2021: 1 EUR = 4,5994 PLN

COLLATERALS

SECURITIES RELATED TO ASSETS AS AT 30 JUNE 2022

Title		as at 30.06.2022	as at 31.12.2021
Security on the credit line agreement *	Pledge on inventories of Eurocash S.A.	90 000 000	90 000 000
Guarantee on securing the payment for suppliers*	Pledge on inventories of Eurocash Serwis Sp. z o.o.	100 000 000	100 000 000
Security on the credit line agreement *	Pledge on inventories of Eurocash S.A.	88 000 000	88 000 000
Security on the consolidated loan *	Pledge on shares of Eurocash Serwis Sp. z o.o.	9 547 300	9 547 300
Security on the consolidated loan *	Pledge on shares of Eurocash Franczyza Sp. z o.o.	3 800 000	3 800 000
Security on the consolidated loan *	Mortgage on 13 properities	333 750 000	333 750 000
Financial leasing agreements (due to net value of fixed assets at the balance sheet date)	Ownership of fixed assets in financial leasing	37 854 491	28 194 113
		662 951 791	**653 291 413**

** security nominal value*

NOTE 6.
FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 30 June 2022, the fair value of financial instruments approximated their carrying value. The Group implements interest rate risk security instruments (IRS), which are measured at their fair value. For these IRSs, the fair value was qualified to level 2 of the hierarchy - fair value is determined based on the values observed on the market yet not being direct market quotes (e.g. determined by direct or indirect reference to similar instruments existing on the market). In connection with the applied hedge accounting, the effect of valuation is recognized in other comprehensive income.

NOTE 7.
UNCERTAIN TAX TREATMENT

Regulations concerning 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, which 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 (for example, customs or foreign exchange issues) may be subject to inspection by authorities authorized to impose high penalties and fines, and any additional tax liabilities arising from these authorities' decisions must be paid with high interest. These conditions create a tax risk in Poland it is greater than in countries with more mature tax systems.

Consequently, 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 the previous reporting periods, the Company carried out transactions and participated in restructuring processes that may be analyzed and audited by tax authorities.

On 15 July 2016, amendments to the Tax Ordinance Act entered into force in order to incorporate the provisions of the General Anti-Avoidance Clause (GAAR). GAAR is designed to prevent the emergence and use of artificial legal structures designed to avoid paying tax in Poland. Currently, GAAR defines tax avoidance as an activity whose main or one of the main objectives was to achieve a tax advantage that, in the given circumstances, was inconsistent with the object or purpose of a tax act or provision thereof. According to GAAR, such an activity does not result in obtaining a tax advantage if the mode of operation was artificial. Occurrence of, among others (i) unjustified splitting of operations, (ii) the involvement of intermediaries despite the lack of economic or economic justification, (iii) mutually canceling or compensating elements, and (iv) other activities that do not have an economic substance, may be treated as an indication of the existence of artificial activities subject to GAAR . The new regulations require a much greater judgment as to the economic content of a transaction 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 achieved after the entry into force of the clause. The implementation of the above provisions makes it possible to question the tax consequences of the 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 Taxes based on profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates, taking into account the assessment of uncertainty related to settlements tax. When there is uncertainty as to whether and to what extent the tax authority will accept individual tax settlements of a transaction, the Group recognizes these settlements taking into account the assessment of uncertainty.

On 19 June 2017, to Eurocash S.A. a report on the audit of the tax books for 2011 was provided, in which the possibility of making depreciation write-offs on certain values of the economic copyrights was questioned, which in the audited period amounted to approx. PLN 41 million. 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 in the case indicated that the Company's tax liability for 2011 was underestimated by the Company in the amount of approximately PLN 8 million. Based on a legal and tax analysis carried out by external experts, on 17 October 2017, the Company appealed 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 positive interpretations of tax law.

By the decision of 19 March 2019, the Director of the Tax Administration Chamber in Poznań, after examining the appeal of Eurocash S.A., revoked the entire decision of the Head of the Wielkopolska Customs and Tax Office in Poznań and referred the case for reconsideration. On 22 April 2022 as a result of reconsideration of the case, the Head of the Greater Poland Customs and Tax Office in Poznań after conducting the control procedure 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 will appeal against the above-mentioned decision.

On 28 February 2018, the Head of the Greater Poland Customs and Tax Office in Poznań initiated an inspection of corporate income tax for 2016. On 8 April 2022. The head of the Greater Poland Customs and Tax Office in Poznań issued a decision on transforming the customs and fiscal control into tax proceedings.

Then, on 24 May 2022, the authority issued a decision determining the tax liability in the corporate income tax for 2016 in the amount of PLN 8,427,395.00. The company appealed against the above-mentioned decision on 21 June 2022 On 11 August 2022, the Company received a decision from the authority to set a deadline for settling the matter by 28 September 2022.

On 17 December 2019, the Head of the Greater Poland 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 specified the tax liability in the corporate income tax for 2014 in the amount of approximately PLN 11.3 million. The head of the Wielkopolska Customs and Tax Office in Poznań thus stated that Eurocash S.A. was understated. by the amount of PLN 5.5 million of the tax due in the corporate income tax resulting from the overestimation of tax deductible costs due to depreciation of trademarks in the amount of PLN 28.8 million, which is a consequence of an incorrect - overestimated for tax purposes - evaluation 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 appealed against the decision. The authority conducts explanatory proceedings and therefore sets new deadlines for settling the case. On 22 July 2022, the Company received a new deadline for settling the matter, until 31 August 2022.

Head of the Wielkopolska Customs and Tax Office in Poznań after conducting tax proceedings pdursuant to 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 tax liability in the corporate income tax for 2015 in the amount of approximately PLN 22.5 million. The head of the Wielkopolska Customs and Tax Office in Poznań thus stated that Eurocash S.A. was understated. by the amount of PLN 5.5 million of the tax due in the corporate income tax resulting from the overestimation of tax deductible costs due to depreciation of trademarks in the amount of PLN 28.8 million, which is a consequence of an incorrect - overestimated for tax purposes - evaluation of the initial value of intangible assets and legal (trademarks). In response to the above-mentioned decision, on 21 July 2021, the Company appealed.

Due to the control, the Company created provisions which it recognized in previous reporting periods. The authority conducts explanatory proceedings and therefore sets new deadlines for settling the case. On 29 June 2022, the Company received a new deadline for settling the matter, until 31 August 2022.

Other administrative proceedings

On 2 October 2020, the Company received the Order of the President of the Office of Competition and Consumer Protection of 28 September 2020 on the initiation of ex officio against Eurocash S.A. proceedings on practices dishonestly using contractual advantage. When initiating the proceedings, the President of UOKiK decided that it should be verified whether certain practices applied by Eurocash S.A. could be qualified as the use of contractual advantage. In the decision to initiate the procedure, the President of UOKiK indicated two questionable forms of settlements between Eurocash and suppliers - i.e. collecting remuneration for (i) general-network services / sales support services, and (ii) services to expand sales markets. As part of the ongoing proceedings, in response to the request of the President of the Office of Competition and Consumer Protection, the Company announced that from 2017 it did not receive any remuneration for services to expand sales markets, while in the period from 01.01.2019 to 31.10.2020 it charged suppliers with a total amount of approx. PLN 19 million for the provision of general-network services / sales support. At the same time, the Company from 01.01.2021. implementing the project started in 2017. strategy of simplifying relationships with suppliers, it stopped providing general-network services / sales

support and collecting remuneration for suppliers, about which it informed the President of UOKiK. On 30 November 2021. The President of the Office of Competition and Consumer Protection (UOKiK) issued a decision in which he found that the Company had committed a practice dishonestly using the contractual advantage consisting in requiring suppliers of agricultural and food products to pay fees for services that are not performed on their behalf or are performed, but about their implementation, including costs and the results, the suppliers are not informed and for this reason they imposed a fine on the Company in the amount of PLN 76,019,901.23. The company does not agree with the position of the President of the Office of Competition and Consumer Protection, therefore on 30 December 2021 appealed against the decision of the President of UOKiK to the Court of Competition and Consumer Protection. In connection with the above, the Company has not established a provision on this account. The obligation to pay a fine imposed by the President of the Office of Competition and Consumer Protection arises only after the decision becomes final, i.e. after the judgment is issued by the Court of Second Instance (Court of Appeal). Under the present conditions, the duration of the proceedings from the issuance of the decision to the issuance of a final judgment by the Court of Appeal is approximately 4-5 years.

NOTE 8.
THE DAMAGE SUFFERED BY THE COMPANY 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 the following.

The audit of VAT settlements by companies from the Eurocash Group did not reveal any irregularities identical to those disclosed in Eurocash S.A. in 2017. Notwithstanding the above, taking into account the turnover of other Group companies realized on transactions related to intra-Community supply of goods, the risks associated with such possible irregularities are immaterial. Eurocash S.A. suspended this type of intra-Community supply of goods and, as security, paid a deposit in 2017 in the amount of PLN 95,746,902 for possible arrears.

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

In 2020, the Company analyzed the tax risks in terms of the damage referred to and decided to include in the current tax liabilities the amount of approximately PLN 43.5 million, from the pool of previously paid security for payment of any VAT liability. The current security for any arrears is PLN 52,267,381. Nevertheless, the Company is of the opinion that based on the analysis of tax inspection files and tax proceedings, as well as based on the results of internal analyzes, 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 classified as potential risk, settled transactions with the Company correctly in an EU country (other than Poland), showing the intra-Community acquisition of goods there, and accounted for the VAT due on this account.

On 22 June 2022, the Company received from the Head of the First Wielkopolski Tax Office in Poznań a tax audit 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 industrial products) and (2) certain transactions of intra-Community supply of goods (applies only to beer). The total amount of VAT questioned by the Governor is PLN 133,956,967.00. In the opinion of the Company, the protocol referred to in the preceding sentence does not entail the emergence of a possible VAT liability on the part of the Company and the need to pay potential VAT arrears. In the opinion of the Company, the minutes are not transparent and contain theses which the Company will question. Especially:

1. the protocol does not contain standard statements, which in such studies the authorities used to present in tax audits;
2. a significant part of the protocol consists of descriptions of transactions and tax liabilities of entities other than the Company, including entities that were not the Company's contractors;
3. different conclusions are presented by the authority depending on the different categories of products subject to taxation;
4. doubts are raised by the arrangements for the application of a specific VAT rate in cases where the authority confirms that it has evidence and knowledge that the goods have been shipped from Poland to an EU country;
5. Significant doubts are also raised by the findings of the authority denying the Company the right to deduct input VAT in those cases where the authority found that the irregularities occurred at the earlier stages of deliveries of goods (i.e. transactions in which the Company did not participate).

The company, disagreeing with the findings of the Head of the above-mentioned the inspection report, on 6 July 2022, the company raised objections to it.

So far, the Head has not initiated tax proceedings against the Company.

NOTE 9.
SIGNIFICANT EVENTS DURING THE PERIOD COVERED BY THE FINANCIAL STATEMENTS

1. COVID-19

In March 2020, the SARS-CoV-2 coronavirus and its disease, known as Covid-19, began spreading 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 two years, society learned to function with it, especially as effective vaccines appeared that significantly limited its negative effects. The pandemic is now coming to an end and most countries are recovering partially or fully from the Covid-19 restrictions. Even so, there is a risk of new virus mutations emerging. Therefore, the Company monitors the situation on an ongoing basis and responds to the recommendations of the Chief Sanitary Inspector and other services in Poland.

2. The war in Ukraine

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

In response to the invasion, representatives of the US, the 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 term, to weaken the Russian economy.

According to the assessments of market analysts, the end of the war in Ukraine is not expected in 2022, and the probability that this state will continue for the coming years is increasing.

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 produce. Prices in global markets reacted violently not only in the above-mentioned these sectors. High volatility of prices of various types of assets will probably be an inherent element of the market game in the next two or three years, in which speculation - as is usually the case in times of market stress - will be the dominant factor influencing economic uncertainty. In such circumstances, all economies will have to fight, first of all, with the effects of inflation and deterioration of the labor market.

From the first quarter of 2021, Poland has been struggling with a continuous increase in prices, which, as indicated by market forecasts, will materialize in the third quarter of 2022 with inflation at the level of 15.5% annually.

Due to the immediate vicinity of Poland with the frontier countries, a sudden influx of refugees from Ukraine and emigrants from Belarus began. Movement in the other direction was also observed, some Ukrainian citizens, faced with the 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 and long term, which resulted in the observed lowest unemployment in 32 years, amounting to 4.9% in June 2022. 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 concentrated on the territory of Poland, the military operations launched in February 2022 abroad did not cause the stagnation of the current operations of the Group. Observing the events and analyzes of experts, there is no risk of an escalation of the conflict on the territory of the Republic of Poland, therefore 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 mainly observe: an increase in public and private consumption, an increase in the costs of energy, fuel, gas and agricultural products. According to the latest NBP report, the inflation peak will take place in the first quarter of 2023, then the reading is to be 18.8% y / y, and a decline in imports and exports to Russia and Ukraine will still be observed. According to analysts, we will still not see any appreciation of the zloty against major world currencies in the short term. The growing number of people staying in Poland - refugees from Ukraine and immigrants from Belarus - significantly reduces the risk of a drop in sales. On the other hand, the risk of a recession in individual countries of the Western world is real, which technically happened in the United States this summer.

In the medium term, we should observe a decline in inflation to the digit 1 level, according to NBP analyzes, it may already take place in the 4th quarter of 2023, then inflation in y / y terms will amount to 6.7% in these forecasts, and a year later in the 4th quarter of 2024 we should observe a return to the inflation target. Due to the limited access to energy resources, increased 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 positively translate into the behavior of the Polish economy.

The above risks will certainly have an impact on the continued operations of the Eurocash Group, but we do not see them as a threat to the continued development of the Group.

The Eurocash Group was actively involved in helping Ukraine by organizing many collections of basic necessities and campaigns supporting employees from beyond our eastern border. The group has implemented i.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, the Group decided to suspend the purchase and sale of these products in all its channels. The group 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. Disposal of net profit for 2021

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 supplementary capital.

NOTE 10.
IMPORTANT EVENTS AFTER THE PERIOD COVERED BY THE FINANCIAL STATEMENTS

There were no important events after the period covered by the financial statement affecting the activity of the Group.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President of the Management Board	Paweł Surówka	29 August 2022	
Management Board Member	Arnaldo Guerreiro	29 August 2022	
Management Board Member	Pedro Martinho	29 August 2022	
Management Board Member, Human Resources Director	Katarzyna Kopaczewska	29 August 2022	
Management Board Member, Financial Director	Jacek Owczarek	29 August 2022	
Management Board Member	Przemysław Ciaś	29 August 2022	
Management Board Member	Dariusz Stolarczyk	29 August 2022	
Management Board Member	Tomasz Polański	29 August 2022	