EUROCASH S.A.

CONDENSED INTERIM
SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the report of the above-mentioned Polish Company.
In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

KOMORNIKI, 29th August 2022

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INTRODUCTION TO CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

1. INFORMATION ABOUT THE COMPANY

NAME

EUROCASH Spółka Akcyjna

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Non-specialized wholesale trade (PKD 4690Z)

REGISTRY COURT

District Court Poznań - Nowe Miasto i Wilda of Poznań, VIII Commercial Division of the National Court Register, Registration number: KRS 0000213765

DURATION OF THE COMPANY

Indefinite

PERIOD COVERED BY THE FINANCIAL STATEMENTS

The interim condensed financial statements of the Company cover the 6 months period ended 30 June 2022 and contain comparative data for the 6 months period 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 COMPANY

2.1. MANAGEMENT BOARD

As at 30 June 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.

2.2. SUPERVISORY BOARD

As at 30 June 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.

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.

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 SEPARATE INCOME STATEMENT FOR THE PERIOD FROM 01.01.2022 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	**4 742 099 529**	**8 696 860 396**	**3 965 176 290**	**7 582 937 140**
Sales of goods	4 720 271 940	8 649 613 986	3 953 154 882	7 558 238 248
Sales of services	21 827 589	47 246 411	12 021 408	24 698 892
Costs of sales	**(4 176 957 362)**	**(7 645 464 009)**	**(3 539 410 801)**	**(6 777 936 762)**
Costs of goods sold	(4 176 957 362)	(7 645 464 009)	(3 539 410 801)	(6 777 936 762)
Gross profit (loss)	**565 142 167**	**1 051 396 388**	**425 765 489**	**805 000 378**
Selling expenses	(385 010 969)	(745 537 657)	(319 875 214)	(642 886 690)
General and administrative expenses	(70 652 114)	(141 448 873)	(68 204 321)	(128 799 589)
Profit (loss) on sales	**109 479 084**	**164 409 858**	**37 685 953**	**33 314 099**
Other operating income	4 488 986	36 885 276	6 834 916	18 739 251
Other operating expenses	(2 984 605)	(9 523 916)	(1 173 697)	(6 065 380)
Operating profit (loss)	**110 983 465**	**191 771 218**	**43 347 172**	**45 987 969**
Financial income	6 887 457	12 798 255	177 360 703	183 284 870
Financial costs	(36 326 668)	(79 490 815)	(145 492 033)	(173 168 502)
Profit (loss) before tax	**81 544 255**	**125 078 658**	**75 215 842**	**56 104 337**
Income tax expense	(16 674 553)	(26 230 165)	(9 040 061)	(6 733 986)
Profit (loss) for the period	**64 869 702**	**98 848 493**	**66 175 781**	**49 370 352**

EARNINGS PER SHARE

	PLN / share	PLN / 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	0,47	0,71	0,48	0,35
- diluted	0,47	0,71	0,48	0,35

CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01.2022 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	**64 869 702**	**98 848 493**	**66 175 781**	**49 370 352**
Other comprehensive income for the period	(306 854)	4 213 404	4 376 431	9 375 127
Items that may be subsequently reclassified to profit or loss:				
- The result on hedge accounting with the tax effect:	(306 854)	4 213 404	4 376 431	9 375 127
Total comprehensive income for the period	**64 562 847**	**103 061 898**	**70 552 213**	**58 745 479**
Total Income				
Owners of the Company	64 562 847	103 061 898	70 552 213	58 745 479
Total comprehensive income for the period	**64 562 847**	**103 061 898**	**70 552 213**	**58 745 479**

CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 30.06.2022

Assets	Non audited as at 30.06.2022	as at 31.12.2021
Non-current assets (long-term)	**4 506 561 663**	**4 577 552 123**
Goodwill	1 204 087 310	1 204 087 310
Intangible assets	573 116 911	589 060 258
Property, plant and equipment	375 859 791	393 578 904
Right of use assets	801 583 978	830 318 024
Investment property	905 897	913 684
Investments in subsidiary companies	1 541 183 856	1 546 474 327
Investments in equity accounted investees	4 590 840	4 590 840
Other long-term investments	2 247 726	4 202 474
Long-term receivables	1 305 351	1 424 348
Other long-term prepayments	1 680 004	2 901 955
Current assets (short-term)	**2 219 539 906**	**2 092 999 643**
Inventories	922 743 679	955 912 870
Trade receivables	1 103 734 464	995 839 265
Current tax receivables	19 151 667	-
Other short-term receivables	44 804 224	83 241 466
Other short-term financial assets	42 578 997	15 360 196
Short-term prepayments	24 048 560	23 383 276
Cash and cash equivalents	62 478 315	19 262 571
Total assets	**6 726 101 569**	**6 670 551 766**

Equity and liabilities	Non audited as at 30.06.2022	as at 31.12.2021
Equity	**1 404 808 903**	**1 301 747 006**
Equity attributable to Owners of the Company	**1 404 808 903**	**1 301 747 006**
Share capital	139 163 286	139 163 286
Reserve capital	1 077 863 843	940 850 351
Valuation equity of hedging transactions	13 778 262	9 564 857
Retained earnings	174 003 512	212 168 511
Accumulated profit / loss from previous years	75 155 018	75 155 019
Profit (loss) for the period	98 848 493	137 013 492
Liabilities	**5 321 292 666**	**5 368 804 760**
Non-current liabilities	**1 035 827 100**	**1 458 363 469**
Long-term loans and borrowings	160 380 000	571 020 000
Other long-term financial liabilities	125 000 000	125 000 000
Long-term lease liabilities	693 032 054	721 847 018
Other long-term liabilities	15 497 004	15 497 004
Deferred tax liabilities	37 676 180	20 757 585
Employee benefits	4 241 863	4 241 863
Current liabilities	**4 285 465 566**	**3 910 441 291**
Loans and borrowings	747 173 000	456 133 712
Other short-term financial liabilities	15 326 667	16 763 774
Short-term lease liabilities	178 810 708	174 243 883
Trade payables	2 894 922 125	2 800 868 534
Current tax liabilities	-	6 382 004
Other short-term payables	162 909 128	184 477 060
Current employee benefits	89 912 682	92 123 119
Provisions	196 411 255	179 449 205
Total equity and liabilities	**6 726 101 569**	**6 670 551 766**

CONDENSED SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01.2022 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	**125 078 658**	**56 104 337**
Adjustments for:	**210 719 733**	**150 253 137**
Depreciation and amortization	143 220 149	151 906 469
(Gain) loss on sale of property, plant, equipment ,loans and shares	5 989 877	127 264 801
Profit (loss) on exchange rates	4 234 269	(5 418 444)
Dividends received / declared	-	(160 647 352)
Interest expenses	71 354 545	38 465 271
Interest received	(14 079 107)	(1 317 609)
Operating cash before changes in working capital	**335 798 391**	**206 357 474**
Changes in inventory	33 169 191	(16 507 693)
Changes in receivables	(69 432 364)	19 007 761
Changes in payables	79 570 410	52 136 165
Changes in provisions and employee benefits	2 758 984	(1 565 051)
Operating cash	**381 864 612**	**259 428 655**
Interest received	1 548 230	1 264 908
Interest paid	(17 088 895)	(6 001 486)
Income tax paid	(35 848 578)	(5 914 767)
Net cash from operating activities	**330 475 370**	**248 777 310**
Cash flow from investing activities		
Aquisition of intangible assets	(14 984 099)	(14 228 410)
Proceeds from sale of intangible assets, property, plant and equipment	5 775	1 422 520
Aquisition of property, plant and equipment tangible fixed assets	(21 179 453)	(25 026 266)
Proceeds from sale of property, plant and equipment	1 595 206	3 574 895
Dividends received	-	136 311 530
Aquisition of subsidiaries	(1 408 456)	-
Loans granted	(20 423 895)	(108 535)
Interest received	3 907 249	(129 142)
Net cash used in investing activities	**(52 487 673)**	**101 816 592**
Cash flow from financing activities		
Income/expenses for other financial liabilities	(1 437 107)	390 341
Proceeds from loans and borrowings	157 582 157	74 608 787
Repayment of borrowings	(277 182 870)	(298 742 743)
Expenses for liabilities from leasing	(76 412 826)	(81 689 272)
Other interests	(6 750 533)	(22 981 199)
Interests on loans and borrowings	(30 570 774)	(9 116 017)
Net cash used in financing activities	**(234 771 953)**	**(337 530 103)**
Net change in cash and cash equivalents	**43 215 744**	**13 063 799**
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	**62 478 315**	**33 673 592**

CONDENSED SEPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 01.01.2022 TO 30.06.2022

Changes in equity in the period from 01.01 to 30.06.2021	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 30.06.2021	-	-	-	49 370 352	**49 370 352**
Other comprehensive income	-	-	9 375 127	-	**9 375 127**
Total comprehensive income for the period from 01.01. to 30.06.2021	**-**	**-**	**9 375 127**	**49 370 352**	**58 745 479**
Transfer to reserve capital	-	62 136 656	-	(62 136 656)	**-**
Total contributions by and distributions to Owners of the Company	**-**	**62 136 656**	**-**	**(128 935 033)**	**(66 798 377)**
Balance as at 30.06.2021	**139 163 286**	**940 850 351**	**(12 359 375)**	**124 525 370**	**1 192 179 632**
Changes in equity in the period from 01.01 to 30.06.2022					
Balance as at 01.01.2022	**139 163 286**	**940 850 351**	**9 564 857**	**212 168 511**	**1 301 747 005**
Profit (loss) for the period from 01.01. to 30.06.2022	-	-	-	98 848 493	**98 848 493**
Other comprehensive income	-	-	4 213 404	-	**4 213 404**
Total comprehensive income for the period from 01.01. to 30.06.2022	**-**	**-**	**4 213 404**	**98 848 493**	**103 061 898**
Balance as at 30.06.2022	**139 163 286**	**1 077 863 843**	**13 778 262**	**174 003 512**	**1 404 808 903**

SUPLEMENTARY INFORMATION TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2022 TO 30.06.2022

1. GENERAL INFORMATION

1.1. ISSUE OF THE FINANCIAL STATEMENT

According to the resolution of the Management Board dated 29 August 2022, these condensed interim separate financial statements of Eurocash S.A. for the period from 1 January 2022 to 30 June 2022 were authorised for publication.
Eurocash S.A. is a listed company and its shares are publicly traded.

1.2. STATEMENT OF COMPLIANCE

The condensed interim separate financial statements have been prepared in accordance with the International Accounting Standard IAS 34 - Interim Financial Reporting, as approved by the European Union.
These condensed interim financial statements should be read in conjunction with the condensed interim consolidated financial statements of Eurocash S.A. Group as at and for the period ended 30 June 2022, and the separate financial statements of Eurocash S.A. as at and for the year ended 31 December 2021, which are available on the website www.grupaeurocash.pl.

1.3. PRESENTATION CURRENCY, ROUNDINGS

These condensed interim separate financial statements are presented in PLN, which is the Company'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

Drafting 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.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revised accounting estimates are recognized in the current period and in any future periods affected.

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 Company 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 Company did not find any premises for impairment tests of investments and other assets as at June 30, 2022, and concluded that the tests of December 31, 2021 are valid.

Impairment of trade receivables

In the current period, estimates of expected credit losses were updated. Details are included note 2.

Revenue and costs recognition and costs associated with the 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 date of revenue recognition. If the contractual remuneration includes a variable amount, the Company estimates the amount of remuneration to which it will be entitled in return 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 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

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

Depreciation rates

The Company considers “Eurocash” and “abc” 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 “abc” 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 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 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 profit will be sufficient to deduct 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.

1.5. COMPARABILITY OF FINANCIAL STATEMENTS

Accounting principles as well as calculation methods applied in the preparation of the financial statements remained unchanged in comparison to the ones applied in the last annual separate financial statements for the year ended 31 December 2021, excluding the application of new or amended standards and interpretations applicable to annual periods beginning on 1 January 2022 and later.

1.6. GOING CONCERN ASSUMPTION

These financial statements have been prepared on the assumption that the Company 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 Company and 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 Company and Group and internal factors, including the impact of sales dynamics on cash generation and capital Company and Group rotary.

A. The macroeconomic situation

Th 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 Company in the first half of 2022

In the first half of the year, Company recorded a positive trend of sales growth and results at the level of EBIT and EBITDA.
In the first half of 2022, in relation to the corresponding period of the previous year, Eurocash achieved an increase in sales of goods by 14.4% and an increase in EBITDA of PLN 137 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 Company generated cash from operating activities in the amount of PLN 330,5 million, while in the similar period of the previous year, the Group's cash flows from operating activities amounted to PLN 248,8 million.
As at 30 June 2022, there was a surplus of current liabilities over its current assets in the amount of PLN 2.07 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 Company also uses reverse factoring instruments and short-term bank loans to finance the working capital. The Comany's net working capital (including inventories, trade receivables and trade payables) was negative and amounted to minus PLN 868 million as at 30 June 2022, compared to minus PLN 857 million as at 30 June 2021. In the first half of the year, the profit on sales amounted to approximately PLN 164 million and was higher by PLN 131 million than in the previous year.

C. Funding instruments used in the first half of 2022

Note 3 to the condensed consolidated financial statements as of 30.06.2022 presents, inter alia, 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.

Reverse factoring lines by maturity as at 30.06.2022

As at 30.06.2022 mln PLN	IIIQ 2022	IVQ 2022	2023 and later	Indefinite	Total
Limits	380	150	550	465	1 545
Used	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	3 932
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 to the condensed consolidated financial statements as of 30.06.2022. 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 CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2022 TO 30.06.2022

NOTE 1.

OTHER EXPLANATORY INFORMATION

Sales revenue

The sale of goods is homogeneous.

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

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. In addition, in the first half of 2021, the Company made write-downs on investments in subsidiaries in the amount of PLN 130 million.

Financial income

Changes in financial income in the first half of 2022 and the second quarter of 2022 as compared to 2021 are mainly due to dividends declared and received in the first half of 2021 from the companies: Eurocash Franczyza Sp. z o.o., Eurocash Serwis Sp. z o.o., Premium Distributors Sp. z o.o. and Eurocash VC3 Sp. z o.o. in the amount of approximately PLN 160 million.

Income tax

The effective tax rate is 21%. It is influenced by the tax on fixed differences constituting the cost and balance sheet income, but excluded from tax revenues and costs.

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 income for intangible assets and tangible assets in investing activities.

Inventories

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	**24 959 185**	**20 368 770**
- increase *	-	4 590 415
- decrease *	(5 205 294)	-
Closing balance	**19 753 891**	**24 959 185**

* net value

Trade receivables

The company 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, inter alia, payment history, type of business, geolocation, cooperation evaluation and financial data. In 2021, 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, where 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 business, 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 Company's balance
>10mln	0	0,00%	0	0,00%
5-10mln	1	0,00%	5 898 906	0,89%
2-5mln	17	0,08%	46 001 171	6,92%
1-2mln	38	0,17%	52 592 661	7,92%
0,5-1mln	132	0,60%	91 709 743	13,81%
0,2-0,5mln	482	2,18%	147 779 713	22,25%
0,1-0,2mln	712	3,22%	101 217 686	15,24%
0,05-0,1mln	1 054	4,76%	74 444 668	11,21%
<0,05mln	17 369	78,48%	148 022 803	22,28%
negative	2 326	10,51%	-3 353 594	-0,50%

AGING OF RECEIVABLES AS AT 30.06.2022

	Trade receivables gross value as at 30.06.2022	Trade receivables gross value as at 31.12.2021
current	1 053 680 634	901 981 706
1-30 days	35 472 435	83 130 571
31-90 days	27 683 950	21 070 652
91-180 days	2 826 425	1 179 554
> 180 days	15 557 756	26 976 336
	1 135 221 200	**1 034 338 820**

WRITE-OFF OF TRADE REVCEIVABLES 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	**38 499 556**	**48 570 830**
Increase *	-	-
Decrease *	(7 012 821)	(10 071 274)
Closing balance	**31 486 735**	**38 499 556**

* net value

Valuation equity of hedging transactions

The Group uses hedge accounting for cash flows related to the repayment of interest-bearing liabilities. Hedged items are also future highly probable liabilities. The interest rate swap is an instrument hedging exposure to interest rate risk, under which the Group converts the stream of interest payments based on the variable WIBOR 1M interest rate into payments with a fixed interest rate. The company designates the designated derivative instruments as hedging instruments in the cash flow hedge model and recognizes them in accordance with the hedge accounting principles.

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

Trade liabilities

Eurocash achieved the assessment, thanks to factoring and based on this judgment, classified itself to progress. reverse factoring as a supply title and enabling compliance by enabling compliance with a compliance assertion will enable compliance with the arrangements by providing significant facilitations for payments. As part of the provision of services related to services and services on 30 June 2022, the value of financial services and paid money services were recognized in the amount of PLN 746.128.606,11, on 31 December 2021 the appropriate value of the balances is PLN 1,119,586,687.

The company uses 6 reverse factoring lines, which finance deliveries from 58 suppliers. The terms of payment to the factor do not differ from the payment terms agreed with the websites. Instance will be submitted to obtain legal status, surety or a declaration of submission to, for example, a trial.

Aging of trade liabilities is presented below.

Aging of trade liabilities as balance sheet date	30.06.2022	31.12.2021
current	2 894 922 125	2 800 868 534
1-30 days	-	-
31-90 days	-	-
91-180 days	-	-
> 180 days	-	-
	2 894 922 125	**2 800 868 534**

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 2.
BOOK VALUE PER SHARE

BOOK VALUE PER SHARE

	as at 30.06.2022	as at 31.12.2021
Equity attributable to Owners of the Company	**1 404 808 903**	**1 301 747 006**
Number of shares	139 163 286	139 163 286
Diluted number of shares	139 163 286	139 163 286
Book value per share	**10,09**	**9,35**
Diluted book value per share	**10,09**	**9,35**

NOTE 3.

TRANSACTIONS WITH THE SUBSIDIARES

Transactions with related entities did not differ from market conditions and did not differ in type from transactions concluded in previous reporting periods.

NOTE 4.

ITEMS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

CONTIENGENCES AS AT 30.06.2022

	Beneficiary	Title	Currency	as at 30.06.2022	as at 31.12.2021
1	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
2	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
3	Bank 2 ***	Surety for liabilities resulting from the "Franchise Partners Financing Program" for the Franchisee of Delikatesy Centrum	PLN	40 580	184 020
4	Bank 4 ***	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Lease Agreement	PLN	32 960	248 593
5	Bank 4 ***	Surety for liabilities of Partnerski Serwis Detaliczny S.A. under the Lease Agreement	PLN	33 259	38 385
6	Bank 5 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Factoring Agreement	PLN	0	300 000 000
7	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
8	Bank 7 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Factoring Agreement	PLN	50 000 000	50 000 000
9	Bank 8 **	Surety for loan of Frisco S.A.	PLN	15 000 000	15 000 000
10	Bank 8**	Surety of an agreement for transactions on the financial market of Frisco S.A.	PLN	5 000 000	2 150 000
11	Bank 4 ***	Surety for liabilities of Frisco S.A. under the Leasing Agreement	PLN	28 491 413	30 825 021
12	Company 1 **	Surety for trade liabilities of Eurocash Serwis Sp. z o.o.	PLN	0	1 000 000
13	Company 2 **	Surety for non-trade liabilities of ABC na kołach Sp. z o.o.	PLN	200 000	200 000
14	Company 3 **	Surety for trade liabilities of ABC na kołach Sp. z o.o.	PLN	0	300 000
15	Bank 9 **	Surety for liabilities of Group Companies due to Factoring Agreement	PLN	300 000 000	300 000 000
16	Company 5 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	48 490 026	47 648 811
17	Company 4 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	6 707 099	6 590 743
18	Company 8 **	Surety for liabilities of Frisco S.A. due to derivative contracts	PLN	8 471 726	8 324 757
19	Company 9 **	Surety for liabilities of Frisco S.A. due to derivative contracts	PLN	81 605 890	80 190 174
20	Company 6 **	Surety for non-trade liabilities of Delikatesy Centrum Sp. z o.o.	PLN	5 900 000	5 900 000
21	Company 7 **	Surety for trade liabilities of Frisco S.A.	PLN	2 050 000	3 080 000
22	Company 2 **	Surety for non-trade liabilities of Frisco S.A.	PLN	500 000	300 000
23	Company 10 **	Surety for liabilities due to Lease agreements for EC Serwis	PLN	1 048 472	0
	** nominal value			**4 791 071 425**	**5 156 980 504**

*** debt value as at balance sheet date

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

As at 30 June 2022 contingences of Eurocash S.A. by debt value, amounted to PLN 1.369 million, while as at 31.12.2021 PLN: 1.495,3 million.

BANK GUARANTEES AS AT 30.06.2022

	Bank quarantee drawer	Title	Currency	as at 30.06.2022	as at 31.12.2021
1	Bank 1	Security for rent liabilities	PLN	1 097 410	8 675 895
2	Bank 1	Security for rent liabilities *	PLN	24 152 881	32 452 414
3	Bank 1	Security for excise duty	PLN	0	500 000
4	Bank 1	Payment security for suppliers *	PLN	0	4 594 100
5	Bank 2	Payment security for suppliers	PLN	10 300 000	40 700 000
6	Bank 3	Payment security for suppliers *	PLN	18 254 340	11 025 840
7	Bank 1	Security for payment with the use of national road	PLN	700 000	1 320 100
8	Bank 3	Payment security for suppliers	PLN	34 400 000	19 500 000
9	Bank 3	Security for liabilities due to proper realisation of the agreement	PLN	2 689 677	0
10	Bank 1	Security for liabilities due to proper realisation of the agreement		0	2 639 971
11	Bank 4	Security for rent liabilities	PLN	8 590 577	0
12	Bank 3	Security for rent liabilities *	PLN	9 253 385	0
				109 438 269	**121 408 320**

* Guarantees in EUR were converted into PLN according to the average NBP exchange rate, respectively
30.06.2022; 1 EUR = 4,6806 PLN,
31.12.2021; 1 EUR = 4,5994 PLN

SECURITY ON ASSETS AS AT 30.06.2022

Title	Secured property	Secure amount in PLN as at 30.06.2022	Secure amount in PLN as at 31.12.2021
Security of an agreement on a credit line Bank 1 **	Deposit on the inventories	90 000 000	90 000 000
Security of an agreement on a credit line Bank 2 **	Deposit on the Eurocash S.A. inventories	88 000 000	88 000 000
Security on the syndicated loan agreement **	Deposit on the Eurocash Serwis Sp. z o.o. shares	9 547 300	9 547 300
Security on the syndicated loan agreement **	Deposit on the Eurocash Franczyza Sp. z o.o. shares	3 800 000	3 800 000
Security of an EBOR credit **	Mortgage on 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	535 977	662 484
		525 633 277	**525 759 784**

** minimal security nominal value

NOTE 5.
FAIR VALUE OF FINANCIAL INSTRUMENTS

Determining fair values

As at 30 June 2022, the fair value of financial instruments was close to their carrying amount. The Company has interest rate risk hedging instruments, IRS, which are measured at fair value. For the aforementioned IRS, the fair value was classified to level 2 of the hierarchy - the fair value is determined based on the values observed in the market, but not being direct market quotes (e.g. they are determined by direct or indirect reference to similar instruments available on the market). Due to the applied hedge accounting, the valuation effect is recognized in other comprehensive income.

NOTE 6.
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 appealed against the above-mentioned decision on 19 May 2022, and then on 14 June 2022, it received information about the appeal being transferred to the Director of the Tax Chamber and the position of the body with regard to the appeal submitted by the Company.

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 to transform 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 aforementioned 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 until 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 pursuant 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 7.
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 in which 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, she raised objections to it.

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

NOTE 8.
OTHER IMPORTANT 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, the society learned to function with it, especially since effective vaccines appeared that significantly limited its negative effects. The pandemic is now coming to an end and most countries are lifting some or all of the Covid restrictions. From May 16, 2022, the state of the epidemic in Poland was replaced by an epidemiological emergency.

Nevertheless, 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, 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. The sanctions included issues such as the disconnection of Russian banks from the SWIFT system, obstruction of the activities of the Russian central bank, and the closure of airspace to Russian planes. The various types of activities undertaken by the USA, EU and Great Britain were joined in February 2022 by, inter alia, also Canada, Switzerland and Japan. The introduction of the sanctions resulted in the suspension of the operation of the Russian stock exchange, a sharp increase in cash turnover and the collapse of the ruble exchange rate. There were also visible movements of global companies that withdrew their business from Russia. Nevertheless, some of these effects do not take place at the expected pace or their magnitude is not satisfactory. Taking into account the strategic goals of the Western World, of which Poland is a part, it becomes more and more important to target the sanctions in such a way that they mainly affect the aggressor, and not the States introducing these sanctions. Moreover, while listening to the voices of international relations analysts, it should be borne in mind that the sanctions will neither lead to a rapid collapse of the dictatorship in Russia, nor target the complete collapse of its economy. The real goal is to weaken the possibilities of economic expansion so much that waging a war with Ukraine ceases to be profitable. 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. In the oil market in March 2022, prices reached USD 120 per barrel, but dropped to below USD 90 already in August. 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 9.
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.

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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	