EUROCASH S.A.

CONDENSED INTERIM
SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

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, 28th August 2023

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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 2023 and contain comparative data for the 6 months period ended 30 June 2022 and as at 31 December 2022. Statement of comprehensive income, income statement and notes to the statement of comprehensive income, income statement including data for the 6 months period ended 30 June 2023 and comparative data for the 6 months period ended on 30 June 2022.
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 2023 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 2023 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

There were no changes in the management board and the supervisory board during the reporting period.

CONDENSED SEPARATE INCOME STATEMENT FOR THE PERIOD FROM 01.01.2023 TO 30.06.2023

	Non audited 2nd Quarter for the period from 01.04.2023 to 30.06.2023	Non audited 2 Quarters for the period from 01.01.2023 to 30.06.2023	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
Sales	**4 754 965 926**	**9 107 530 531**	**4 742 099 529**	**8 696 860 396**
Sales of goods	4 740 422 944	9 076 597 558	4 720 271 940	8 649 613 986
Sales of services	14 542 981	30 932 973	21 827 589	47 246 411
Costs of sales	**(4 270 621 761)**	**(8 138 558 254)**	**(4 176 957 362)**	**(7 645 464 009)**
Costs of goods sold	(4 270 621 761)	(8 138 558 254)	(4 176 957 362)	(7 645 464 009)
Gross profit (loss)	**484 344 165**	**968 972 277**	**565 142 167**	**1 051 396 388**
Selling expenses	(377 758 463)	(767 980 746)	(385 010 969)	(745 537 657)
General and administrative expenses	(67 040 188)	(139 447 108)	(70 652 114)	(141 448 873)
Profit (loss) on sales	**39 545 515**	**61 544 422**	**109 479 084**	**164 409 858**
Other operating income	8 224 611	15 801 660	4 488 986	36 885 276
Other operating expenses	(6 818 049)	(13 435 782)	(2 984 605)	(9 523 916)
Operating profit (loss)	**40 952 077**	**63 910 301**	**110 983 465**	**191 771 218**
Financial income	130 889 022	143 608 320	6 887 457	12 798 255
Financial costs	(47 744 464)	(96 086 905)	(36 326 668)	(79 490 815)
Profit (loss) before tax	**124 096 634**	**111 431 716**	**81 544 255**	**125 078 658**
Income tax expense	(5 689 274)	(5 987 903)	(16 674 553)	(26 230 165)
Profit (loss) for the period	**118 407 360**	**105 443 813**	**64 869 702**	**98 848 493**

EARNINGS PER SHARE

	PLN / share	PLN / share	PLN / share	PLN / share
Profit (loss) for the period	118 407 360	105 443 813	64 869 702	98 848 493
Weighted average number of shares	139 163 286	139 163 286	139 163 286	139 163 286
Weighted average diluted number of shares*	139 648 188	139 648 188	139 163 286	139 163 286
Earnings per share				
- basic	0,85	0,76	0,47	0,71
- diluted	0,85	0,76	0,47	0,71

* Note 2

CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01.2023 TO 30.06.2023

	Non audited 2nd Quarter for the period from 01.04.2023 to 30.06.2023	Non audited 2 Quarters for the period from 01.01.2023 to 30.06.2023	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
Profit (loss) for the period	**118 407 360**	**105 443 813**	**64 869 702**	**98 848 493**
Other comprehensive income for the period	(1 732 209)	(7 697 181)	(306 854)	4 213 404
Items that may be subsequently reclassified to profit or loss:				
- The result on hedge accounting with the tax effect:	(1 732 209)	(7 697 181)	(306 854)	4 213 404
Total comprehensive income for the period	**116 675 150**	**97 746 632**	**64 562 847**	**103 061 898**
Total Income				
Owners of the Company	116 675 150	97 746 632	64 562 847	103 061 898
Total comprehensive income for the period	**116 675 150**	**97 746 632**	**64 562 847**	**103 061 898**

CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 30.06.2023

Assets	Non audited as at 30.06.2023	as at 31.12.2022
Non-current assets (long-term)	**4 400 869 206**	**4 477 393 748**
Goodwill	1 204 087 310	1 204 087 310
Intangible assets	433 139 111	452 583 466
Property, plant and equipment	336 177 840	350 431 956
Right of use assets	731 920 510	770 034 097
Investment property	890 323	898 110
Investments in subsidiary companies	1 684 524 377	1 684 524 377
Investments in equity accounted investees	4 590 840	4 590 840
Other long-term investments	57 633	57 633
Long-term receivables	1 751 790	1 626 627
Other long-term prepayments	3 729 472	8 559 332
Current assets (short-term)	**2 616 897 702**	**2 378 206 708**
Inventories	984 045 806	998 661 275
Trade receivables	1 242 678 494	1 214 176 548
Current tax receivables	27 802 896	29 938 565
Other short-term receivables	177 421 629	56 215 382
Other short-term financial assets	-	6 404 074
Short-term prepayments	31 097 510	27 050 938
Cash and cash equivalents	153 851 366	45 759 926
Total assets	**7 017 766 908**	**6 855 600 456**

Equity and liabilities	Non audited as at 30.06.2023	as at 31.12.2022
Equity	**1 514 487 322**	**1 462 886 445**
Share capital	139 163 286	139 163 286
Reserve capital	1 206 800 695	1 081 718 089
Valuation equity of hedging transactions	(12 075 491)	(4 378 310)
Retained earnings	180 598 832	246 383 379
Accumulated profit / loss from previous years	75 155 019	75 155 018
Profit (loss) for the period	105 443 813	171 228 360
Liabilities	**5 503 279 585**	**5 392 714 012**
Non-current liabilities	**887 962 968**	**998 732 104**
Long-term loans and borrowings	89 100 000	160 400 000
Other long-term financial liabilities	129 297 454	131 074 826
Long-term lease liabilities	604 270 065	653 631 176
Other long-term liabilities	15 685 206	15 493 369
Deferred tax liabilities	45 885 146	34 407 635
Employee benefits	3 725 098	3 725 098
Current liabilities	**4 615 316 617**	**4 393 981 907**
Loans and borrowings	998 100 697	586 960 953
Other short-term financial liabilities	17 721 878	15 041 727
Short-term lease liabilities	184 869 710	186 395 524
Trade payables	3 012 421 442	3 168 902 792
Other short-term payables	182 121 770	174 936 003
Current employee benefits	66 768 342	99 231 986
Provisions	153 312 779	162 512 924
Total equity and liabilities	**7 017 766 908**	**6 855 600 456**

CONDENSED SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01.2023 TO 30.06.2023

	Non audited 2 Quarters for the period from 01.01.2023 to 30.06.2023	Non audited 2 Quarters for the period from 01.01.2022 to 30.06.2022
Cash flow from operating activities		
Profit (loss) before tax	**111 431 716**	**125 078 658**
Adjustments for:	**109 880 601**	**210 719 734**
Depreciation and amortization	144 495 636	143 220 149
Valuation of motivational programm	3 854 246	-
(Gain) loss on sale of property, plant, equipment ,loans and shares	164 755	5 989 877
Profit (loss) on exchange rates	(12 914 107)	4 234 269
Dividends received / declared	(107 591 973)	-
Interest expenses	88 794 209	71 354 545
Interest received	(6 922 165)	(14 079 107)
Operating cash before changes in working capital	**221 312 316**	**335 798 392**
Changes in inventory	14 615 469	33 169 191
Changes in receivables	(31 077 717)	(69 432 364)
Changes in payables	(148 816 704)	79 570 410
Changes in provisions and employee benefits	(44 569 239)	2 758 984
Operating cash	**11 464 125**	**381 864 613**
Interest received	2 305 745	1 548 230
Interest paid	(26 258 309)	(17 088 895)
Income tax paid	(3 863 185)	(35 848 578)
Net cash from operating activities	**(16 351 623)**	**330 475 371**
Cash flow from investing activities		
Aquisition of intangible assets	(9 586 206)	(14 984 099)
Proceeds from sale of intangible assets, property, plant and equipment	1 795 840	5 775
Aquisition of property, plant and equipment tangible fixed assets	(17 133 091)	(21 179 453)
Proceeds from sale of property, plant and equipment	1 983 842	1 595 206
Aquisition of subsidiaries	-	(1 408 456)
Loans granted	-	(20 423 895)
Interest received	514 541	3 907 249
Net cash used in investing activities	**(22 425 074)**	**(52 487 673)**
Cash flow from financing activities		
Income/expenses for other financial liabilities	(2 195 840)	(1 437 107)
Proceeds from loans and borrowings	484 133 694	157 582 157
Repayment of borrowings	(144 293 950)	(277 182 870)
Expenses for liabilities from leasing	(81 787 239)	(76 412 826)
Interest on finance lease	(14 666 940)	-
Other interests	(1 777 612)	(6 750 533)
Interests on loans and borrowings	(42 543 976)	(30 570 774)
Dividends paid	(50 000 000)	-
Net cash used in financing activities	**146 868 137**	**(234 771 953)**
Net change in cash and cash equivalents	**108 091 440**	**43 215 745**
Cash and cash equivalents at the beginning of the period	45 759 926	19 262 571
Cash and cash equivalents at the end of the period	**153 851 366**	**62 478 315**

CONDENSED SEPARATE STATEMENT ON CHANGES IN EQUITY IN THE PERIOD FROM 01.01.2023 TO 30.06.2023

Changes in equity in the period from 01.01 to 30.06.2022	Share capital	Reserve capital	Hedge reserve	Retained earnings	**Total**
Balance as at 01.01.2022 after changes	**139 163 286**	**940 850 351**	**9 564 857**	**212 168 511**	**1 301 747 005**
Transfer to reserve capital	-	137 013 492	-	(137 013 492)	**-**
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	**-**	**137 013 492**	**4 213 404**	**(38 164 999)**	**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**
Changes in equity in the period from 01.01 to 30.06.2023					
Balance as at 01.01.2023	**139 163 286**	**1 081 718 089**	**(4 378 310)**	**246 383 379**	**1 462 886 444**
Profit (loss) for the period from 01.01. to 30.06.2023	-	-	-	105 443 813	**105 443 813**
Other comprehensive income	-	-	(7 697 181)	-	**(7 697 181)**
Total comprehensive income for the period from 01.01. to 30.06.2023	**-**	**-**	**(7 697 181)**	**105 443 813**	**97 746 632**
Dividends	-	-	-	(50 000 000)	**(50 000 000)**
Transfer to reserve capital	-	121 228 360	-	(121 228 360)	**-**
Valuation of motivational program for employees	-	3 854 246	-	-	**3 854 246**
Balance as at 30.06.2023	**139 163 286**	**1 206 800 695**	**(12 075 491)**	**180 598 832**	**1 514 487 322**

SUPLEMENTARY INFORMATION TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2023 TO 30.06.2023

1. GENERAL INFORMATION

1.1. ISSUE OF THE FINANCIAL STATEMENT

Condensed interim separate financial statements of Eurocash S.A. for the period from 1 January 2023 to 30 June 2023 was approved by the Management Board on 28 August 2023.
Eurocash S.A. is a listed company and its shares are publicly traded.

1.2. STATEMENT OF COMPLIANCE

These 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 2023, and the separate financial statements of Eurocash S.A. as at and for the year ended 31 December 2022, 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 non-current assets

Judgment is required to analyze evidence of impairment and to perform tests. In this context, in particular, the feasibility of budgets.
In the Retail Segment, the Group does not fully implement the assumed budgets. In connection with this fact, the assumptions that were the basis for the calculation of discounted cash flows adopted for the goodwill impairment tests as at 31 December 2022 were revised.
In the wholesale segment, the Group meets the budget assumptions.
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 consequence of the analyzes carried out, including the sensitivity analysis carried out at the end of 2022, the Group did not find (despite the revision of the assumptions in the Retail Segment) that there were grounds for conducting impairment tests of goodwill and other assets as at 30.06.2023 and stated that tests from 31.12.2022 are up to date.

Impairment of trade receivables

In the current period, estimates of expected credit losses were updated. Details are included note 1.

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 recognizes that the "Eurocash" trademark is recognizable on the market and plans to use it in its operations for a long time. Therefore, the Company assumes that the useful life of the

"Eurocash" trademark is indefinite and is not amortized. The "Eurocash" trademark is subject to an annual impairment test.
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

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 2022.

1.6. GOING CONCERN ASSUMPTION

Due to the fact that Eurocash S.A. is the parent company of the Capital Group, the description below applies to the Group as a whole.
These financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, ie not less than 12 months from the balance sheet date.
The financial forecasts for 2023 and the next four years prepared by the Management Board indicate that the Group will maintain liquidity and pay its liabilities on an ongoing basis. As it was already communicated in previous reports, in 2022 the Group launched a project to refinance a syndicated revolving loan (RCF) and bilateral loans. Utilization of the current RCF loan as at the balance sheet date amounted to PLN 600 million,
with a maturity date of 19 July 2023. The Management Board, together with an external financial advisor, conducted negotiations with the banks, which ended with the conclusion of loan agreements on 7 July 2023 with a consortium of 8 banks for the total amount of PLN 1.001 billion. The agreements

concern a 5-year term loan worth PLN 456 million, a 3-year revolving loan worth PLN 445 million (with an option to extend it for another two years) and a 3-year overdraft facility up to PLN 100 million (with an option to extend it for the next two years). In addition to the above-mentioned agreements, the Group companies also have separate bilateral agreements with financing institutions. In the opinion of the Management Board, the combination of instruments for financing operations including the above-mentioned loans as well as factoring products meet the needs of companies operating in the FMCG industry. The most important risk factors, in the opinion of the Management Board, are presented below and uncertainties affecting the assessment of the going concern assumption.

A. The macroeconomic situation

Macroeconomic conditions did not have a significant negative impact on the Group's situation in the reporting period. In the second quarter of 2023, the Group continued to implement its strategy, recording an increase in sales by (6.89%). However, the second quarter of 2023 in terms of consumption was worse than the first quarter of 2023. Despite this, sales in the Group in the first half of 2023 increased by 11.1% compared to the first half of 2022.

The Management Board believes that the macroeconomic situation is influenced primarily by the global effects related to the war in Ukraine. Among these factors, the Management Board pays particular attention to risks related to high energy prices, volatility in the capital and commodity markets and the persistently high level of interest rates. The Management Board believes that the trends on the labour market are conducive to the Group's operations, and potential risks are monitored on an ongoing basis.

B. Economic situation and balance sheet situation of the Group and the Company in the first half of year 2023

In the first half of 2023, the Group recorded a positive trend in sales growth and results at the EBIT and EBITDA levels compared to the same period of the previous year. This increase was recorded both in the retail and wholesale segments. In the first half of 2023, the Eurocash Group, compared to the corresponding period of the previous year, achieved an increase in sales of goods at the level of 11.1% and an increase in EBITDA by PLN 27 million.

In the first half of 2023, the Company generated cash from operating activities in the amount of minus PLN 16 million, PLN 347 million less than in the corresponding period in 2022 (330 million in the first half of 2022). As at 30 June 2023, there was a surplus of current liabilities over its current assets in the amount of PLN 2.00 billion, which, in the opinion of the Management Board, is typical for the industry in which the Group operates, where 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 working capital. The Group's net working capital (including inventories, trade receivables and trade payables) was negative and amounted to minus PLN 0.79 billion as at 30 June 2023, compared to minus PLN 0.87 billion as at 30 June 2022. In the first half of 2023, a profit on sales of approximately PLN 62 million was recorded, which was PLN 103 million lower than in the first half of 2022.

C. Financing instruments used in the Group in the first half of 2023

Limits	30.06.2023	31.12.2022	30.06.2022	31.12.2021
Bonds (program)	1 000	1 000	1 000	1 000
Bank credits	1 050	1 214	1 230	1 359
Bank guarantees	277	263	252	281
Receivables factoring	575	525	525	325
Reverse factoring	1 436	1 523	1 417	1 915

Use	30.06.2023	31.12.2022	30.06.2022	31.12.2021
Bonds (program)	125	125	125	125
Bank credits	813	663	906	796
Bank guarantees	243	200	202	216
Receivables factoring	450	344	336	209
Reverse factoring	1 307	1 156	1 283	1 780

% Use	30.06.2023	31.12.2022	30.06.2022	31.12.2021
Bonds (program)	13%	13%	13%	13%
Bank credits	77%	55%	74%	59%
Bank guarantees	88%	76%	80%	77%
Receivables factoring	78%	66%	64%	64%
Reverse factoring	91%	76%	91%	93%

Reverse factoring lines by maturity as at 30 June 2023.

As at 30.06.2023 mln PLN	III Q 2023	IV Q 2023	2024	Indefinite	Total
Factoring limits	764	100	75	497	1 436
Use	724	100	75	408	1 307

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

Trade liabilities vs. factoring liabilities

mln PLN	30.06.2023	31.12.2022	30.06.2022	31.12.2021
Trade liabilities	4 207	4 114	3 933	3 854
Liabilities due to the reverse factoring	1 307	1 156	1 283	1 780

The Group analyzed the timeliness of settling its trade liabilities. Details are included in Note 2. The Group plans to continue its balance sheet policy, in which working capital plays an important role in financing operating activities.

Conditions precedent related to financial agreements are monitored on an ongoing basis and as at 30 June 2023 they were not breached.

D. Liquidity forecast

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

The Group's Management Board maintains a liquidity model and, based on it, periodically assesses the going concern of the entire Group through scenario analyses. Stress affects (1) consumer prices and their impact on the Group's sales, profits and costs, (2) the availability of credit limits, (3) the availability of reverse factoring limits and (4) the level of interest rates. Based on the analysis, the Management Board concluded that the Group has sufficient sources of financing and there is no uncertainty as to its going concern.

E. Conclusions

Operating activities, reflected in the Group's financial results, continue to improve in the first half of 2023, as was the case in 2022 compared to 2021. Forecasts for the subsequent quarters also indicate that the upward trend in each business segment will continue. This effect is visible not only at the level of the Group's operating result (EBITDA), but also in much higher sales, and thus - better generation of cash. Having signed loan agreements with a consortium of 8 banks on 7 July 2023, the Group has stable financing, but also has adequate reserves to respond to unforeseen macroeconomic changes.
It is also worth noting that in 2023 the Group strengthened its leading position on the wholesale market. At the end of June 2023, in terms of products without EAN codes, the share in this market increased by 0.7 pp compared to the previous year, to 24.3%, and excluding such products, the share increased by 1 pp to 30.1%. The key role of the Group for independent stores in Poland and the market shares in the sales of individual suppliers cause that they (especially large-scale suppliers) show far-reaching loyalty and the Management Board considers that long-term cooperation with them is not at risk.
After analyzing the described financial situation of the Eurocash Group and the facts listed above, the Management Board declares that it sees no threat to the continuation of operations in the next 12 months.

2. NOTES TO CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2023 TO 30.06.2023

NOTE 1.

OTHER EXPLANATORY INFORMATION

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.

Finance income and costs

The change in financial income in 2023 compared to 2022 was mainly related to dividends received from companies in the Group, a favorable impact from exchange differences related to the valuation of lease liabilities expressed in foreign currencies and the improvement of commercial terms and conditions.

The change in financial costs in 2023 compared to 2022 was mainly related to an increase in debt servicing costs, resulting from the increase in interest rates in Poland.

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 30.06.2023

	for the period from 01.01.2023 to 30.06.2023	for the period from 01.01.2022 to 31.12.2022
Opening balance	**16 420 602**	**24 959 185**
- increase *	24 241	-
- decrease *	-	(8 538 583)
Closing balance	**16 444 843**	**16 420 602**

* 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 2023, 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	0	0,00%	0	0,00%
2-5mln	16	0,07%	49 811 617	7,54%
1-2mln	39	0,18%	53 474 089	8,09%
0,5-1mln	129	0,60%	89 606 736	13,56%
0,2-0,5mln	482	2,23%	145 255 639	21,98%
0,1-0,2mln	726	3,36%	104 377 205	15,80%
0,05-0,1mln	1 054	4,87%	74 238 234	11,24%
<0,05mln	16 658	76,99%	146 851 804	22,23%
negative	2 532	11,70%	-2 866 415	-0,43%

AGING OF RECEIVABLES AS AT 30.06.2023

	Trade receivables gross value as at 30.06.2023	Trade receivables gross value as at 31.12.2022
current	1 197 908 843	1 091 463 919
1-30 days	36 293 793	102 571 657
31-90 days	12 846 254	24 554 112
91-180 days	7 352 287	1 624 822
> 180 days	10 209 165	20 491 950
	1 264 610 343	**1 240 706 460**

WRITE-OFF OF TRADE REVCEIVABLES AS AT 30.06.2023

	for the period from 01.01.2023 to 30.06.2023	for the period from 01.01.2022 to 31.12.2022
Opening balance	**26 529 912**	**38 499 556**
Increase *	-	-
Decrease *	(4 598 064)	(11 969 644)
Closing balance	**21 931 848**	**26 529 912**

* 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 and WIBOR 3M interest rates 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.

Value	Issuing Date	Start Date	End Date	Valuation 30.06.2023
500 000 000	06.10.2022	31.12.2022	31.12.2024	-9 173 445

Trade liabilities

Eurocash assessed liabilities covered by reverse factoring and, based on this judgment, classified liabilities due to the so-called reverse factoring. reverse factoring as a trade payable

and services, because in connection with the submission of the given liabilities to factoring, there were no significant changes in the nature of these liabilities, in particular, no significant changes in the terms of payment. The balance of trade payables as at 30 June 2023 includes the value of balances covered by the supplier financing program in the amount of PLN 622,258,506, while as at

As at 31 December 2022, the relevant value of the balances was PLN 649,812,727.

The company uses reverse factoring lines provided by 5 factors, which finance deliveries from 52 suppliers. The terms of payment to the factor do not differ from the terms of payment agreed with the suppliers. Factoring agreements are a financial instrument secured by a standard intra-group surety, promissory note or declaration of submission to enforcement.

Aging of trade liabilities is presented below.

Aging of trade liabilities as balance sheet date	30.06.2023	31.12.2022
current	2 988 535 646	3 168 902 792
1-30 days	23 885 796	-
31-90 days	-	-
91-180 days	-	-
> 180 days	-	-
	3 012 421 442	**3 168 902 792**

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 AS AT 30.06.2023

BOOK VALUE PER SHARE

	as at 30.06.2023	as at 31.12.2022
Equity attributable to Owners of the Company	**1 514 487 322**	**1 462 886 445**
Number of shares	139 163 286	139 163 286
Diluted number of shares	139 648 188	139 163 286
Book value per share	**10,88**	**10,51**
Diluted book value per share	**10,85**	**10,51**

Dilution was calculated based on the assumptions of the incentive program for employees. The total cost of the program to be recognized by the end of its duration, the number of shares that can be exercised and their average market value, taking into account the current exchange rate. The number of diluting shares is 484,902.

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 30.06.2023

	Beneficiary	Title	Currency	as at 30.06.2023	as at 31.12.2022
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 4 ***	Surety for liabilities of Partnerski Serwis Detaliczny S.A. under the Lease Agreement	PLN	0	26 996
4	Bank 6 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Current Loan Agreement Agreement	PLN	97 500 000	97 500 000
5	Bank 7 **	Surety for liabilities of Eurocash Serwis Sp. z o.o. under the Factoring Agreement	PLN	75 000 000	75 000 000
6	Bank 8 **	Surety for loan of Frisco S.A.	PLN	0	15 000 000
7	Bank 8**	Surety of an agreement for transactions on the financial market of Frisco S.A.	PLN	5 000 000	5 000 000
8	Bank 4 ***	Surety for liabilities of Frisco S.A. under the Leasing Agreement	PLN	20 647 597	25 526 126
9	Bank 9 **	Surety for liabilities of Group Companies due to Factoring Agreement	PLN	300 000 000	300 000 000
10	Company 5 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	40 851 928	48 586 372
11	Company 4 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	6 377 089	6 720 426
12	Company 8 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	8 054 891	8 488 559
13	Company 12 **	Surety for liabilities of Frisco S.A. due to rent agreement	PLN	63 763 347	0
14	Company 6 **	Surety for non-trade liabilities of Delikatesy Centrum Sp. z o.o.	PLN	-	5 900 000
15	Company 7 **	Surety for trade liabilities of Frisco S.A.	PLN	2 995 000	2 450 000
16	Company 2 **	Surety for non-trade liabilities of Frisco S.A.	PLN	700 000	500 000
17	Company 10 **	Surety for liabilities of EC Serwis due to rent agreement	PLN	996 884	1 050 555
18	Company 11**	Surety for trade liabilities of Ambra Sp. z o.o.	PLN	700 000	-
	** nominal value			**4 762 586 736**	**4 731 749 034**

*** 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 30.06.2023 contingences of Eurocash S.A. by debt value, amounted to PLN 1.540,8 million, while as at 31.12.2022 PLN: 1.471,3 million.

BANK GUARANTEES AS AT 30.06.2023

	Bank quarantee drawer	Title	Currency	as at 31.03.2023	as at 31.12.2022
1	Bank 1	Security for rent liabilities	PLN	1 097 410	1 097 410
2	Bank 1	Security for rent liabilities *	PLN	11 885 372	12 305 667
3	Bank 3	Payment security for suppliers *	PLN	17 356 170	18 290 610
4	Bank 3	Payment security for suppliers	PLN	56 400 000	34 400 000
5	Bank 3	Security for rent liabilities *	PLN	12 918 417	9 271 770
6	Bank 3	Security due to proper realisation of the contract *	PLN	-	2 695 021
7	Bank 4	Security for rent liabilities *	PLN	12 734 857	11 310 792
8	Bank 4	Security for rent liabilities	PLN	8 606 471	7 983 215
9	Bank 4	Payment security for suppliers	PLN	300 000	300 000
				121 298 697	**97 654 486**

* Guarantees in EUR were converted into PLN according to the average NBP exchange rate, respectively
31.12.2022; 1 EUR=4,6899 PLN,
30.06.2023; 1 EUR=4,4503 PLN,

SECURITY ON ASSETS AS AT 30.06.2023

Title	Secured property	Secure amount in PLN as at 30.06.2023	Secure amount in PLN as at 31.12.2022
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 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 on the syndicated loan agreement **	Deposit on the Eurocash Sieci PArtnerskie Sp. z o.o. shares	294 705 000	220 305 000
Security of an EBOR credit **	Mortgage on 13 properties (6 distribution centers)	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	370 760	445 819

** minimal security nominal value

NOTE 5.
FAIR VALUE OF FINANCIAL INSTRUMENTS

Determining fair values

As at 30 June 2023, 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 regarding value added tax, corporate income tax and social security charges are subject to frequent changes. These frequent changes result in a lack of appropriate benchmarks, inconsistent interpretations, and few established precedents that could apply. The applicable regulations also contain ambiguities that cause differences in opinions as to the legal interpretation of tax regulations, both between state authorities and enterprises.

Tax settlements and other areas of activity (e.g. customs or foreign exchange issues) may be subject to inspection by authorities that are authorized to impose high penalties and fines, and any additional tax liabilities resulting from the decisions of these authorities must be paid together with high interest. These conditions mean that the tax risk in Poland is greater than in countries with more mature tax systems.

As a consequence, the amounts presented and disclosed in the financial statements may change in the future as a result of the final decision of the authority.

In previous reporting periods, the Company carried out transactions and participated in restructuring processes that may be subject to analyzes and inspections by tax authorities.

On 15 July 2016, the amendments to the Tax Ordinance entered into force in order to take into account the provisions of the General Anti-Avoidance Rule (GAAR). GAAR is to prevent the creation and use of artificial legal structures created to avoid paying tax in Poland. Currently, GAAR defines tax avoidance as an activity whose main or one of the main goals was to achieve a tax advantage, contrary in the given circumstances to the object or purpose of the tax act or its provisions. According to GAAR, such an activity does not result in a tax advantage if the method of operation was artificial. Occurrence of e.g. (i) unjustified splitting of operations, (ii) engaging intermediaries despite the lack of economic or economic justification, (iii) mutually canceling or compensating elements, and (iv) other activities without economic substance, may be treated as a premise for the existence of artificial activities subject to the provisions of GAAR . The new regulations require much greater judgment as to the economic content of transactions when assessing the tax consequences of individual transactions.

The GAAR clause should be applied to transactions made after its entry into force and to transactions that were carried out before the entry into force of the GAAR clause, but for which benefits were or are still being obtained after the date of entry into force of the clause. The implementation of the above provisions makes it possible to question the tax consequences of legal arrangements and agreements implemented by taxpayers, such as group restructuring and reorganization.

The Group recognizes and measures current and deferred tax assets or liabilities using the requirements of IAS 12 Income tax based on profit (tax loss), tax base, unsettled tax losses, unused tax credits and tax rates, taking into account the assessment of uncertainties related to settlements tax. When there is uncertainty as to whether and to what extent the tax authority will accept individual tax

settlements of transactions, the Group recognizes these settlements taking into account the uncertainty assessment.

On 19 June 2017, Eurocash S.A. a report on the audit of tax books for 2011 was provided, in which the possibility of making depreciation write-offs on certain values of proprietary copyrights was questioned, which amounted to approx. PLN 41 million in the audited period. On 5 July 2017, the Company submitted reservations to the minutes.

On 28 September 2017, the Head of the Wielkopolska Customs and Tax Office in Poznań issued a decision for Eurocash S.A., in which he stated that the Company understated the tax liability for 2011 in the amount of approximately PLN 8 million in the indicated case. Based on the legal and tax analysis conducted by external experts, on 17 October 2017, the Company filed an appeal against this decision. It indicates a number of arguments proving the correctness of the tax settlements made by the Company, including confirmation of the correctness of the settlements through the obtained positive interpretations of the tax law.

By decision of 19 March 2019, the Director of the Tax Administration Chamber in Poznań, after considering the appeal of Eurocash S.A., repealed the above-mentioned decision of the Head of the Wielkopolska Customs and Tax Office in Poznań in its entirety and referred the case for reconsideration. On 22 April 2022. as a result of re-examination of the case, the Head of the Wielkopolska Customs and Tax Office in Poznań, after carrying out the control proceedings in accordance with the decision of the Director of the Tax Inspection Office in Poznań. stated that the tax liability was underestimated by PLN 2.5 million. The Company filed an appeal against the above-mentioned decision on 19 May 2022, and then on 14 June 2022 it received information about the transfer of the appeal to the Director of the Tax Chamber and the position of the authority in relation to the appeal submitted by the Company. Subsequently, the company received a decision from the authority setting a new date for settling the case, which was set for 23 November 2022. On 3 November 2022. The company paid a tax liability of PLN 4.9 million (including PLN 2.5 million principal and PLN 2.4 million interest). On 21November 2022. The company received the decision issued on 15 November 2022, which upholds the decision of the first instance authority. Company on 21 December 2022. filed a complaint against this decision, requesting that the contested decision be annulled in its entirety and that the proceedings be discontinued.

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

On 17 December 2019, the Head of the Wielkopolska Customs and Tax Office in Poznań initiated a customs and tax inspection in the field of corporate income tax for 2014 and 2015.

On 3 December 2020, the Head of the Wielkopolska Customs and Tax Office in Poznań issued a decision in which he determined the corporate income tax liability for 2014 in the amount of approx. PLN 11.3 million. The head of the Wielkopolska Customs and Tax Office in Poznań thus stated that Eurocash S.A. understated by the amount of PLN 5.5 million of tax due in the corporate income tax resulting from the overestimation of tax deductible costs from the amortization of trademarks in the amount of PLN 28.8 million, which is a consequence of the overstated valuation of the initial value of

intangible assets for tax purposes (trademarks). In response to the above-mentioned decision, on 5 February 2021 and 15 April 2021, the Company filed an appeal against the decision. The authority conducts explanatory proceedings and therefore sets new deadlines for settling the case. On 28 October 2022. The company received a decision specifying the corporate income tax liability for 2014, thus upholding the decision of the first instance authority. On 3 November 2022. The company paid a tax liability of PLN 8.6 million (including PLN 5.5 million principal and PLN 3.1 million interest). On 28 November 2022. The company filed a complaint against the decision of the Head of the Wielkopolskie Customs and Tax Office in Poznań, requesting that the contested decision be annulled in its entirety and that the proceedings be discontinued. The hearing scheduled for 8 March 2023 regarding the Company's complaint against the decision of the authority was removed from the agenda.

The Head of the Wielkopolska Customs and Tax Office in Poznań, having conducted tax proceedings based on the decision of the Head of the Wielkopolska Customs and Tax Office in Poznań of 21 April 2021, on the transformation of the customs and tax inspection into tax proceedings in the field of corporate income tax for 2015, issued on 23 June 2021, decisions specifying the corporate income tax liability for 2015 in the amount of approx. PLN 22.5 million. The head of the Wielkopolska Customs and Tax Office in Poznań thus stated that Eurocash S.A. understated by the amount of PLN 5.5 million of tax due in the corporate income tax resulting from the overestimation of tax deductible costs from the amortization of trademarks in the amount of PLN 28.8 million, which is a consequence of the overestimated valuation of the initial value of intangible assets for tax purposes (trademarks). In response to the above-mentioned decision, on 21 July 2021, the Company filed an appeal.
In connection with the inspection, the Company created provisions which were recognized in previous reporting periods. The authority conducts explanatory proceedings and therefore sets new deadlines for settling the case. On 28 October 2022. The company received a decision specifying the corporate income tax liability for 2015, thus upholding the decision of the first instance authority. On 3 November 2022. The company paid a tax liability of PLN 8.2 million (including PLN 5.5 million principal and PLN 2.7 million interest). On 28 November 2022. The company filed a complaint against the decision of the Head of the Wielkopolskie Customs and Tax Office in Poznań, requesting that the contested decision be annulled in its entirety and that the proceedings be discontinued. The hearing scheduled for 8 March 2023 regarding the Company's complaint against the decision of the authority was removed from the agenda.
On 15 June 2023, a hearing was held before the Provincial Administrative Court in Poznań for the years 2011 and 2014-2016. For 2011, the Court decided to adjourn the hearing. On 29 June 2023, the Provincial Administrative Court announced its judgment in the cases for the years 2014-2016, in which the Court overturned the decision of the tax authority.

Duży Ben - distributor with limited risks
Due to the adjustment of the business model of the Eurocash Group, starting from 2021, Duży Ben acts as a distributor with limited risks, and Eurocash S.A. the role of the central entity. Eurocash S.A. as the central entity, it is responsible for managing the core activities of Duży Ben, such as developing the distribution concept, strategy and pace of network development, selection of suppliers, provision of support services and the owner of significant intangible assets (trademarks). Duży Ben is responsible for the sale of goods purchased from suppliers indicated by Eurocash S.A. on the Polish market. (including the same company Eurocash S.A.), who previously purchases them from producers or other wholesale distributors, and then sells the Goods on the market to consumers. Additionally, Duży Ben implements the strategy formulated by Eurocash S.A. The above action is aimed at ensuring the market level of profitability, taking into account the functions performed, assets involved and risk incurred.

At the same time, on 29 December 2021, Eurocash S.A. applied for an advance pricing agreement under the Act of 16 October 2019 on resolving double taxation disputes and concluding advance pricing agreements in this regard, in order to reduce tax risk.
In addition, all risks and liabilities of the Company have been settled and recognized in the financial statements.

Other administrative proceedings

On 2 October 2020, the Company received the Order of the President of the Office of Competition and Consumer Protection ("UOKIK") 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 UOKiK issued a decision in which he stated that the Company had committed the practice of unfairly using a contractual advantage by charging suppliers of agri-food products for services that are not provided to them or that are provided, but about which suppliers are not informed, including about their costs and results, and imposed a fine of PLN 76,019,901.23 on the Company. The company does not agree with the position of the President of UOKiK, therefore on 30 December 2021 it appealed against the decision of the President of UOKiK to the Court of Competition and Consumer Protection. At the same time, we point out that the obligation to pay a possible fine imposed by the President of UOKiK arises only after the decision becomes final - i.e. after the judgment is issued by the Court of Second Instance (Court of Appeal). In the current conditions, the duration of the proceedings from the moment of issuing the decision to the moment of issuing the final judgment by the Court of Appeal is about 4-5 years. The Company cooperates with the Office on an ongoing basis, providing timely answers to a number of other inquiries addressed to the Company by the President of the Office of Competition and Consumer Protection as part of ongoing explanatory proceedings and FMCG market research.

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 as follows.

The examination of VAT settlements by Eurocash Group companies did not reveal any irregularities of a nature identical to those disclosed in Eurocash S.A. in 2017. Notwithstanding the foregoing, taking into account the turnover of other Group companies realized on transactions concerning intra-Community supplies of goods, the risks related to such possible irregularities are intangible. Eurocash

S.A. suspended this type of intra-Community supply of goods transactions and, as collateral, paid a deposit of PLN 95,746,902 in 2017 for any arrears.

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

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

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

1. the protocol does not contain the standard summaries which in such studies the authorities usually present in tax audits;

2. descriptions of transactions and tax liabilities of entities other than the Company, including entities that were not contractors of the Company, constitute an important part of the protocol;

3. different conclusions are presented by the authority depending on different categories of products subject to taxation;

4. doubts arise regarding the arrangements regarding the application of a specific VAT rate in cases where the authority confirms that it has evidence and knowledge that the goods have been sent from Poland to an EU country;

5. Significant doubts are also raised by the authority's findings denying the Company the right to deduct input VAT in those cases where the authority determined that irregularities occurred at earlier stages of the delivery of goods (i.e. transactions in which the Company did not participate).

The Company, not agreeing with the findings of the Head of the above-mentioned the inspection report, on 6 July 2022, raised objections to it.

Then, on 5 December 2022, the Head initiated two tax proceedings against the Company, i.e. 1) VAT tax proceedings for the fourth quarter of 2013 and for the first quarter of 2014, and 2) VAT tax proceedings for the periods from the fourth quarter of 2014 to Q4 2016.

The Company is also subject to VAT tax proceedings for the second and third quarters of 2014 initiated by the decision of 6 December 2016 (no. 3071-PP.4213.96.2016.1). On 23 December 2022, the Head

issued another decision to extend the deadline for settling the case until 6 April 2023. By further decisions, the Head of the Head extended the deadline for settling cases until 16 October 2023. Summarizing the above, in the Company's opinion, the security in the amount of PLN 52,267,381 is the amount that would fully cover the tax arrears, if any.

NOTE 8.
OTHER IMPORTANT EVENTS DURING THE PERIOD COVERED BY THE FINANCIAL STATEMENTS

1. The war in Ukraine

A description of the impact of the war in Ukraine on the Group's operations is presented in detail in Note 38 to Eurocash's standalone financial statements for 2022, published on March 27, 2023. In the first half of 2023, there were no new factors or events related to the Ukrainian market with a significant impact on the Group's operations. Since the outbreak of the war, the Group has ceased commercial contacts with contractors from Russia and Belarus.

NOTE 9.
IMPORTANT EVENTS AFTER THE PERIOD COVERED BY THE FINANCIAL STATEMENTS

Financing activities in subsequent periods

On 7 July 2023, the Management Board of Eurocash concluded loan agreements with a consortium of 8 banks for the total amount of PLN 1.001 billion. The agreements concern a 5-year term loan worth PLN 456 million, a 3-year revolving loan worth PLN 445 million (with an option to extend it for another two years) and a 3-year overdraft facility up to PLN 100 million (with an option to extend it for the next two years). The conclusion of the above-mentioned agreements was related to the maturity of the current RCF loan on 17 July 2023.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Position	Name and surname	Date	Signature
President of the Management Board	Paweł Surówka	28 August 2023	
Management Board Member	Arnaldo Guerreiro	28 August 2023	
Management Board Member	Pedro Martinho	28 August 2023	
Management Board Member, Human Resources Director	Katarzyna Kopaczewska	28 August 2023	
Management Board Member, Financial Director	Jacek Owczarek	28 August 2023	
Management Board Member	Przemysław Ciaś	28 August 2023	
Management Board Member	Dariusz Stolarczyk	28 August 2023	
Management Board Member	Tomasz Polański	28 August 2023	