EUROCASH S.A. GROUP

CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

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

KOMORNIKI, 28th August 2023

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INTRODUCTION TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. INFORMATION ABOUT THE PARENT ENTITY

NAME

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

REGISTERED OFFICE

ul. Wiśniowa 11, 62-052 Komorniki

CORE BUSINESS

Non-specialized wholesale trade (PKD 4690Z)

REGISTRATION COURT

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

DURATION OF THE PARENT COMPANY

Indefinite

PERIOD COVERED BY THE FINANCIAL STATEMENTS

The condensed interim consolidated financial statements cover the period of 6 months ended on 30 June 2023 and contain comparative data for the period of 6 months 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 PARENT ENTITY

2.1. MANAGEMENT BOARD OF THE PARENT ENTITY

As at 30 June 2023 the Parent Entity's Management Board consisted of the following members:

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

2.2. SUPERVISORY BOARD OF THE PARENT ENTITY

As at 30 June 2023 the Parent Entity's Supervisory Board consisted of the following members:

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

2.3. CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARD

There were no changes in the Management Board and the Supervisory Board during the reporting period.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01.01. 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	**8 378 841 622**	**15 967 237 652**	**7 838 764 131**	**14 366 655 354**
Sales of goods	8 342 316 857	15 890 301 644	7 805 219 038	14 301 311 983
Sales of services	35 514 233	74 726 251	31 901 471	62 009 619
Sales of materials	1 010 532	2 209 757	1 643 622	3 333 753
Costs of sales	**(7 284 990 140)**	**(13 853 823 138)**	**(6 780 648 594)**	**(12 399 743 426)**
Costs of goods sold	(7 284 122 365)	(13 851 835 066)	(6 779 140 188)	(12 396 585 794)
Costs of materials sold	(867 774)	(1 988 072)	(1 508 406)	(3 157 633)
Gross profit (loss)	**1 093 851 482**	**2 113 414 513**	**1 058 115 537**	**1 966 911 928**
Selling expenses	(849 327 065)	(1 718 896 083)	(830 695 248)	(1 627 801 926)
General and administrative expenses	(133 877 623)	(271 818 395)	(126 243 146)	(256 939 627)
Profit (loss) on sales	**110 646 793**	**122 700 035**	**101 177 143**	**82 170 375**
Other operating income	18 170 733	31 117 460	18 551 746	50 333 497
Other operating expenses	(16 677 351)	(27 521 547)	(15 250 561)	(26 364 390)
Operating profit (loss)	**112 140 175**	**126 295 948**	**104 478 328**	**106 139 482**
Financial income	33 356 041	50 058 906	12 985 910	20 447 988
Financial costs	(75 922 156)	(154 575 472)	(65 343 121)	(114 010 016)
Share in profits (losses) of equity accounted investees	889 504	1 006 595	(308 107)	26 993
Profit (loss) before tax	**70 463 564**	**22 785 978**	**51 813 010**	**12 604 447**
Income tax expense	(19 730 311)	(21 739 619)	(32 621 695)	(43 748 138)
Profit (loss) for the period	**50 733 254**	**1 046 358**	**19 191 315**	**(31 143 691)**
Attributable to:				
Owners of the Company	38 337 906	(13 306 509)	15 104 531	(36 600 672)
Non-controlling interests	12 395 348	14 352 868	4 086 784	5 456 981

EARNINGS PER SHARE

		PLN / share		PLN / share
Profit (loss) attributable to Owners of the Company	38 337 906	(13 306 509)	15 104 531	(36 600 672)
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	0,28	(0,10)	0,11	(0,26)
- diluted	0,27	(0,10)	0,11	(0,26)

** Note 3*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.01. 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	**50 733 254**	**1 046 358**	**19 191 315**	**(31 143 691)**
Other comprehensive income for the period	(1 952 791)	(8 179 177)	89 125	5 043 295
Items that may be subsequently reclassified to profit or loss:				
- The result on hedge accounting with the tax effect:	(1 952 791)	(8 179 177)	89 125	5 043 295
Total comprehensive income for the period	**48 780 462**	**(7 132 818)**	**19 280 440**	**(26 100 396)**
Total Income				
Owners of the Company	36 385 115	(21 485 686)	15 193 656	(31 557 378)
Non-controlling interests	12 395 348	14 352 868	4 086 784	5 456 981
Total comprehensive income for the period	**48 780 462**	**(7 132 818)**	**19 280 440**	**(26 100 396)**

CONDENSED CONSOLIDATED 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)	**5 187 449 065**	**5 185 870 289**
Goodwill	2 138 258 890	2 138 258 890
Intangible assets	301 441 217	322 077 303
Property, plant and equipment	656 164 491	673 284 851
Right of use assets	1 967 278 623	1 904 671 757
Investment property	142 323	150 110
Investments in equity accounted investees	14 592 684	13 586 088
Other long-term investments	1 264 900	1 746 897
Long-term receivables	17 522 721	14 995 719
Deferred tax assets	86 345 491	107 333 820
Other long-term prepayments	4 437 725	9 764 854
Current assets (short-term)	**3 645 288 343**	**3 483 952 402**
Inventories	1 683 982 896	1 636 113 684
Trade receivables	1 368 889 106	1 446 398 829
Current tax receivables	30 853 283	32 592 660
Other short-term receivables	164 073 962	143 164 414
Other short-term financial assets	64 600	6 404 073
Short-term prepayments	53 810 135	41 485 331
Cash and cash equivalents	343 614 361	177 793 411
Total assets	**8 832 737 408**	**8 669 822 691**

Equity and liabilities	Non audited as at 30.06.2023	as at 31.12.2022
Equity	**793 673 924**	**798 902 858**
Equity attributable to Owners of the Company	**699 198 140**	**710 224 316**
Share capital	139 163 286	139 163 286
Reserve capital	588 740 656	584 886 410
Valuation equity of hedging transactions	(11 247 071)	(3 067 894)
Option for purchase/selling the shares	(84 760 458)	(147 085 648)
Retained earnings	67 301 727	136 328 162
Accumulated profit / loss from previous years	80 608 237	69 218 384
Profit (loss) for the period	(13 306 510)	67 109 778
Non-controlling interests	94 475 784	88 678 542
Liabilities	**8 039 063 485**	**7 870 919 833**
Non-current liabilities	**1 946 359 285**	**2 057 724 333**
Long-term loans and borrowings	96 324 000	168 656 000
Other long-term financial liabilities	129 297 454	131 074 826
Long-term lease liabilities	1 689 730 413	1 657 858 563
Other long-term liabilities	21 395 239	89 342 861
Employee benefits	8 631 344	9 161 029
Provisions	980 835	1 631 054
Current liabilities	**6 092 704 200**	**5 813 195 500**
Loans and borrowings	725 602 092	503 666 864
Other short-term financial liabilities	17 721 878	15 041 726
Short-term lease liabilities	441 370 533	427 369 305
Trade payables	4 207 141 417	4 114 406 061
Current tax liabilities	13 026 021	30 932 775
Other short-term payables	231 504 574	226 855 355
Current employee benefits	149 207 539	188 370 484
Provisions	307 130 147	306 552 930
Total equity and liabilities	**8 832 737 408**	**8 669 822 691**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.01. 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	**22 785 978**	**12 604 447**
Adjustments for:	**435 650 448**	**392 457 059**
Depreciation and amortization	308 065 619	301 201 652
Share in profits (losses) of equity accounted investees	(1 006 595)	(26 993)
Valuation of motivational programm	3 854 246	-
Gain (loss) on sale of property, plant and equipment	6 788 893	(506 450)
Profit (loss) on exchange rates	(18 891 033)	7 591 071
Interest expenses	145 646 476	96 481 202
Interest received	(8 807 159)	(12 283 423)
Operating cash before changes in working capital	**458 436 426**	**405 061 506**
Changes in inventory	(47 869 211)	(71 010 577)
Changes in receivables	65 057 766	(54 778 488)
Changes in payables	82 876 347	90 531 278
Changes in provisions and employee benefits	(45 848 950)	(5 622 874)
Other adjustments	941 199	(810 246)
Operating cash	**513 593 576**	**363 370 599**
Interest received	3 411 452	2 297 567
Interest paid	(61 932 327)	(28 734 547)
Income tax paid	(29 702 329)	(60 944 453)
Net cash from operating activities	**425 370 372**	**275 989 165**
Cash flow from investing activities		
Aquisition of intangible assets	(16 655 201)	(22 308 226)
Proceeds from sale of intangible assets, property, plant and equipment	1 800 819	21 270
Aquisition of property, plant and equipment tangible fixed assets	(71 323 584)	(82 494 631)
Proceeds from sale of property, plant and equipment	6 585 923	8 928 419
Aquisition of subsidiaries, net of cash aquired	-	(1 408 456)
Interest received	261 456	1 362 229
Net cash used in investing activities	**(79 330 588)**	**(95 899 395)**
Cash flow from financing activities		
Income/expenses for other financial liabilities	(2 195 840)	(1 437 107)
Proceeds from loans and borrowings	302 843 793	170 936 534
Repayment of borrowings	(153 240 565)	(61 046 411)
Income/expenses for liabilities from leasing	(198 260 261)	(188 307 806)
Lease interests	(40 881 741)	(33 382 780)
Other interests	(2 922 541)	4 763 741
Interests on loans and borrowings	(35 561 677)	(25 908 544)
Dividends paid	(50 000 000)	-
Net cash used in financing activities	**(180 218 833)**	**(134 382 372)**
Net change in cash and cash equivalents	**165 820 951**	**45 707 398**
Cash and cash equivalents at the beginning of the period	177 793 410	120 590 711
a) **Cash and cash equivalents at the end of the period**	**343 614 361**	**166 298 109**

Condensed interim consolidated financial statements of EUROCASH Group.			
Financial statements period:	***01.01-30.06.2023***	**Presentation currency:**	***Polish zloty (PLN)***
Level of round-offs:	***All amounts are expressed in Polish zloty (unless indicated otherwise)***		

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 01.01. TO 30.06.2023

	Share capital	Reserve capital	Option for purchase/selling the shares	Hedge reserve	Retained earnings	Equity attributable to Owners of the Company	Non-controlling interests	**Total**
Changes in equity in the period from 01.01 to 30.06.2022								
Balance as at 01.01.2022 after changes	**139 163 286**	**581 032 164**	**(115 838 349)**	**10 614 932**	**84 149 061**	**699 121 094**	**87 475 083**	**786 596 177**
Owners of the Company	**-**	**-**	**-**	**-**	(36 600 672)	**(36 600 672)**	**-**	**(36 600 672)**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	4 049 423	**4 049 423**
Net profit presented directly in equity	**-**	**-**	**-**	5 043 295	**-**	**5 043 295**	-	**5 043 295**
Total comprehensive income for the period from 01.01. to 30.06.2022	**-**	**-**	**-**	**5 043 295**	**(36 600 672)**	**(31 557 378)**	**4 049 423**	**(27 507 954)**
Transfer to reserve capital	-	-	-	-	-	-	-	**-**
Option for purchase/selling the shares	-	-	(9 411 296)	-	-	(9 411 296)	-	**(9 411 296)**
Other	-	-	-	-	(9 209 217)	(9 209 217)	-	**(9 209 217)**
Total contributions by and distributions to Owners of the Company	**-**	**-**	**(9 411 296)**	**-**	**(9 209 217)**	**(18 620 514)**	**-**	**(18 620 514)**
Balance as at 30.06.2022	**139 163 286**	**581 032 164**	**(125 249 645)**	**15 658 227**	**38 339 172**	**648 943 204**	**91 524 506**	**740 467 710**
Changes in equity in the period from 01.01 to 30.06.2023								
Balance as at 01.01.2023	**139 163 286**	**584 886 410**	**(147 085 648)**	**(3 067 894)**	**136 328 162**	**710 224 316**	**88 678 542**	**798 902 858**
Owners of the Company	-	-	-	-	(13 306 509)	**(13 306 509)**	-	**(13 306 509)**
Non-controlling interests	-	-	-	-	-	**-**	14 352 868	**14 352 868**
Other comprehensive income	-	-	-	(8 179 177)	-	**(8 179 177)**	-	**(8 179 177)**
Total comprehensive income for the period from 01.01. to 30.06.2023	**-**	**-**	**-**	**(8 179 177)**	**(13 306 509)**	**(21 485 686)**	**14 352 868**	**(7 132 818)**
Dividends paid	-		-	-	(50 000 000)	**(50 000 000)**		**(50 000 000)**
Dividends declared	-		-	-		**-**	(8 555 626)	**(8 555 626)**
Equity-settled share-based payment transactions	-	3 854 246	-	-	-	**3 854 246**	-	**3 854 246**
Option for purchase/selling the shares	-	-	62 325 190	-		**62 325 190**	-	**62 325 190**
Other	-	-	-	-	(5 719 926)	**(5 719 926)**	-	**(5 719 926)**
Total contributions by and distributions to Owners of the Company	**-**	**3 854 246**	**62 325 190**	**-**	**(55 719 926)**	**10 459 510**	**(8 555 626)**	**1 903 883**
Balance as at 30.06.2023	**139 163 286**	**588 740 656**	**(84 760 458)**	**(11 247 071)**	**67 301 727**	**699 198 141**	**94 475 783**	**793 673 924**

SUPPLEMENTARY INFORMATION TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2023 TO 30.06.2023

1. GENERAL INFORMATION

1.1. ISSUE OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed interim consolidated financial statements of the Eurocash Group for the period from 1 January 2023 to 30 June 2023 was approved by the Management Board on 28 August 2023.

According to the information provided in the current report No. 4/2023 on 12 April 2023 to the Polish Financial Supervision Authority, Eurocash S.A. publishes the interim condensed consolidated financial statements on 29 August 2023.
Eurocash S.A. is a stock company whose shares are publicly traded.

1.2. STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements of Eurocash S.A. Capital Group have been prepared in accordance with IAS 34 - Interim Financial Reporting, approved by European Union.
These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Eurocash S.A. Capital Group as at and for the year ended 31 December 2022, which is available on the website www.grupaeurocash.pl.

1.3. PRESENTATION CURRENCY, ROUNDINGS

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

1.4. USE OF ESTIMATES AND JUDGEMENTS

Preparing financial statements in conformity with UE IFRS requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions were made based on past experience and other factors accepted as reasonable in the given circumstances, and the results of these estimates and judgments were the basis for determining the carrying values of assets and liabilities that were not directly derived from other sources. The actual results may differ from those estimates.

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

Impairment of 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, 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 impairment tests of goodwill as at 31.12.2022 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

any 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 in note 2.

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

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

Leasing - recognition of the lessee

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

Classification of liabilities due to reverse factoring

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

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

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

Depreciation rates

The Group recognizes that the “Eurocash” and “abc” trademarks are recognizable on the market and plans to use them in its operations for a long time. Therefore, the Group assumes that the useful lives of the

trademarks "Eurocash" and "abc" are indefinite and they are not amortized. The "Eurocash" and "abc" trademarks are subject to an annual impairment test.

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

Tradis customer relations

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

Split payment

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

Deferred tax asset

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

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

Valuation of liabilities under share purchase options

Commitments to purchase non-controlling shares are recognized at the most probable redemption price of these shares based on the ratios contained in investment agreements, the individual values of which come from the financial plans of the companies concerned. The value of the liability determined in this way is discounted to its present value.

Court cases

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

1.5. COMPARABILITY OF FINANCIAL STATEMENTS

Accounting principles as well as calculation methods applied in the preparation of these condensed interim consolidated financial statements remained unchanged in comparison to the ones applied in the last annual consolidated financial statements for the financial year ended 31 December 2022,

1.6. INFORMATION ABOUT THE PARENT ENTITY AND THE CAPITAL GROUP

Eurocash Spółka Akcyjna is the Parent Entity, registered in the District Court Poznań - Nowe Miasto and Wilda in Poznań, VIII Commercial Department of the National Court Register; registration number: KRS 00000213765; located in Komorniki, ul. Wiśniowa 11.

The core business activity of the Parent Entity is non-specialized wholesale trade (PKD 4690Z).

Shares of Eurocash S.A. are traded on Warsaw Stock Exchange.

Eurocash Group comprises Eurocash S.A. and subsidiaries.

1.7. GOING CONCERN ASSUMPTION

These financial statements have been prepared on the assumption that the Group will continue as 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 Group generated cash from operating activities in the amount of PLN 425 million, PLN 149 million more than in the corresponding period in 2022 (PLN 276 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 2.45 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 1.15 billion as at 30 June 2023, compared to minus PLN 0.90 billion as at 30 June 2022. In the first half of 2023, a profit on sales of approximately PLN 123 million was recorded and it was higher by PLN 41 million compared to 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 THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD FROM 01.01.2023 TO 30.06.2023

NOTE 1.
OPERATING SEGMENTS

In connection with the integration of partner (systems) networks (soft franchise) - i.e. ABC, Groszek and Eurosklep - to company Eurocash Sieci Partnerskie Sp. z o.o., which is presented in the Wholesale segment, the Group decided, starting from the first quarter of 2023, to present company Innowacyjna Platforma Handlu Sp. z o. o. in the Wholesale Segment. Innowacyjna Platforma Handlu Sp. z o. o. is a

platform that integrates the above partner networks cooperating with the Eurocash Group. 2022 data were restated due to the comparison reasons.

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

- Wholesale - this is the activity of the Eurocash Group regarding the result on B2B sales to partner, franchise and non-associated stores. The segment includes wholesale operations carried out by the following distribution formats and companies: Eurocash S.A.: business units: Eurocash Cash & Carry and Eurocash Dystrybucja, Eurocash Serwis Sp. z o.o., Polska Dystrybucja Alkoholi Sp. z o.o. as well as sales transacted by those distribution formats whose clients have long-term agreements with Eurocash Group, e.g. franchise systems Groszek, Lewiatan, Gama, Eurosklep, partner system ABC or clients from the HoReCa segment and also the activities of companies organizing above franchise and partner systems: Eurocash Sieci Partnerskie Sp. z o.o., Partnerski Serwis Detaliczny S.A. and regional companies Lewiatan: Lewiatan Śląsk Sp. z o.o., Lewiatan Podlasie Sp. z o.o., Lewiatan Holding S.A., Lewiatan Zachód Sp. z o.o., Lewiatan Wielkopolska Sp. z o.o., Lewiatan Kujawy sp. z o.o., Lewiatan Opole Sp. z o.o., Lewiatan Orbita Sp. z o.o., Lewiatan Północ Sp. z o.o., Lewiatan Podkarpacie Sp. z o.o. Moreover, this segment includes sales transacted by the Eurocash Gastronomia format, as well as sales realized by Eurocash Dystrybucja and Eurocash Cash & Carry under entity Eurocash S.A. and sales realized by Cerville Investments Sp. z o.o., Ambra Sp. z o.o., 4vapers Sp. z o.o. and also as above: Innowacyjna Platforma Handlu Sp. z o.o.,
- Retail is the Eurocash Group's activity concerning the result on B2B sales to the Delikatesy Centrum franchise system and B2C sales realized by own stores Delikatesy Centrum, Arhelan, Lewiatan (within the company Partner Sp. z o.o.) and Inmedio. Retail sale of Eurocash Group companies within the following entities: Inmedio Sp. z o.o., Firma Rogala Sp. z o.o., ., Delikatesy Rogala Obszar I Sp. z o.o , FHC-2 Sp. z o.o., Madas Sp. z o.o., Partner Sp. z o.o., Podlaskie Delikatesy Centrum Sp. z o.o., Delikatesy Centrum Sp. z o.o., Arhelan Sp. z o.o. as well as within franchise network “Delikatesy Centrum”, which is organised by Eurocash Franczyza Sp.z o.o. as part of sales to customers of this franchise system by Eurocash S.A. and developed by Eurocash Group project of distribution of fresh products. The Retail segment also includes the activities of EKO Holding S.A. w likwidacji and Eurocash Nieruchomości Sp. z o. o.
- Projects – this operating segment comprises the Group's new projects and retail formats in their initial phase of development, operating as the following entities: Kontigo Sp. z o.o, ABC na kołach Sp. z o.o., Duży Ben Sp. z o.o., In addition, the segment includes the activities of the subsidiary Frisco S.A. developing activities in the e-commerce sector.
- Other – includes the activities of service and non-operating companies - Eurocash VC3 Sp. z o.o. Detal Finanse Sp. z o.o., Akademia Umiejętności Eurocash Sp. z o.o. and the Group’s general and administrative expenses not allocated to any operating segment.

There are varying levels of relationships between the segments in the Group. These relationships include mutual sales of merchandise, provision of marketing services, logistics, administrative support, and other services. The accounting policies of each specific reporting segment are the same as the policies of the whole Group.

Eurocash Group operates only in the territory of Poland which, considering the economic conditions and business risks, can be treated as a uniform territory.

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

Basic information about each reportable segment is shown below.

REVENUES AND PROFITS BY BUSINESS SEGMENTS IN THE PERIOD FROM 01 JANUARY 2023 TO 30 JUNE 2023

	Wholesale	Retail	Projects	Other	Exclusions	Total
Sales	**12 951 706 501**	**5 011 732 753**	**452 670 923**	**1 422 024**	**(2 450 294 550)**	**15 967 237 652**
External sales of goods	11 626 210 020	3 831 594 424	432 497 200	-	-	15 890 301 644
Other external sales	54 507 081	10 164 092	12 264 835	-	-	76 936 008
Inter-segmental sales	1 270 989 400	1 169 974 238	7 908 888	1 422 024	(2 450 294 550)	-
Operating profit	**248 252 245**	**8 665 953**	**(53 011 226)**	**(77 611 023)**	**-**	**126 295 948**
Finance income						50 058 906
Finance costs						(154 575 472)
Share in losses of companies consolidated with the equity method						1 006 595
Profit before income tax						**22 785 978**
Income tax						(21 739 619)
Net profit (loss)						**1 046 358**

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

	Wholesale	Retail	Projects	Other	Exclusions	Total
Sales	**11 491 080 975**	**4 821 425 921**	**354 771 872**	**2 275 201**	**(2 302 898 615)**	**14 366 655 354**
External sales of goods	10 351 185 017	3 600 929 870	349 197 095	-	-	14 301 311 983
Other external sales	23 272 176	38 181 283	3 880 001	9 912	-	65 343 371
Inter-segmental sales	1 116 623 782	1 182 314 768	1 694 775	2 265 290	(2 302 898 615)	-
Operating profit	**229 150 875**	**1 492 511**	**(57 193 977)**	**(67 309 926)**	**-**	**106 139 482**
Finance income						20 447 988
Finance costs						(114 010 016)
Share in losses of companies consolidated with the equity method						26 993
Profit before income tax						**12 604 447**
Income tax						(43 748 138)
Net profit (loss)						**(31 143 691)**

NOTE 2.
EXPLANATIONS TO CONSOLIDATED INCOME STATEMENT

Sales revenue

The sale of goods is homogeneous.

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

Financial income and expenses

The change in financial income in 2023 compared to 2022 was related to, among others, the positive impact from foreign exchange differences related to the valuation of lease liabilities denominated in foreign currencies and improvement of trading 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 of the interest rates in Poland.

Income tax

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

	for the period from 01.04.2023 to 30.06.2023	for the period from 01.01.2023 to 30.06.2023	for the period from 01.04.2022 to 30.06.2022	for the period from 01.01.2022 to 30.06.2022
Profit (loss) before tax	**70 463 564**	**22 785 978**	**51 813 010**	**12 604 447**
Income tax expense	(19 730 311)	(21 739 619)	(32 621 695)	(43 748 138)
Profit (loss) for the period	**50 733 254**	**1 046 358**	**19 191 315**	**(31 143 691)**
% tax rate (effective)	-28%	-95%	-63%	-347%
Differences:				
Fixed costs not constituting tax deductible costs	-2 946 337	-7 603 881	-1 408 544	-3 345 874
Impact of tax loss assets	-12 306 730	-28 973 154	-17 297 704	-33 698 103
Impact of Tax Capital Group	9 313 292	19 586 048	0	0
Other	-391 879	-421 917	-4 074 899	-4 311 319
Profit (loss) before tax	**70 463 564**	**22 785 978**	**51 813 010**	**12 604 447**
Income tax expense	(13 398 656)	(4 326 716)	(9 840 549)	(2 392 843)
Profit (loss) for the period	**57 064 908**	**18 459 262**	**41 972 462**	**10 211 604**
% tax rate (effective)	-19%	-19%	-19%	-19%

Intangible assets and tangible fixed assets

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

Inventories

The value of inventories as at 30.06.2023 is comparable to their state as at 31.12.2022. The values concerning the write-off for inventories are presented below.

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	**53 787 346**	**54 783 455**
- increase *	3 774 287	-
- decrease *	-	(996 109)
Closing balance	**57 561 634**	**53 787 346**

* net value

Trade receivables

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

The Group makes write-offs of receivables in relation to the expected credit losses, which result directly from the risk of each client and are calculated on the basis of models taking into account, payment history, type of business, geolocation, cooperation evaluation and financial data. In 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, while the expected credit loss model was based on the standard approach in which:

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

The analysis of concentration shows its actual lack.

Balance range	Number of customers	% of number of customers	Balance	% of Group's balance
>10mln	4	0,01%	50 478 056	5,17%
5-10mln	5	0,02%	31 996 709	3,28%
2-5mln	20	0,06%	59 550 999	6,10%
1-2mln	45	0,14%	61 404 403	6,29%
0,5-1mln	151	0,47%	104 789 669	10,74%
0,2-0,5mln	572	1,78%	171 118 841	17,54%
0,1-0,2mln	938	2,91%	133 060 101	13,64%
0,05-0,1mln	1 625	5,04%	114 330 610	11,72%
<0,05mln	25 511	79,19%	252 115 283	25,84%
negative	3 343	10,38%	-3 322 947	-0,34%

Aging of trade receivables as at 30.06.2023:

AGING OF TRADE RECEIVABLES AS AT 30.06.2023

	Trade receivables gross value 30.06.2023	Trade receivables gross value 31.12.2022
current	1 273 874 622	1 244 362 248
1-30 days	66 927 732	157 606 662
31-90 days	27 534 531	44 587 994
91-180 days	14 879 171	9 571 950
> 180 days	15 712 379	25 938 605
	1 398 928 435	**1 482 067 458**

WRITE-OFF OF TRADE RECEIVABLES 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	**35 668 629**	**45 205 922**
Increase *		-
Decrease *	(5 629 299)	(9 537 293)
Closing balance	**30 039 329**	**35 668 629**

* net value

Valuation equity of hedging transactions

The Group uses hedging instruments for cash flow connected with interest-bearing liabilities. Future loans are also hedged. The instrument hedging the expert opinion against the interest risk is the interest Rate Swap transaction, within the Group exchanges of payable payments flow with a variable WIBOR 1M and WIBOR 3M into payments with a fixed interest rate. The Company choose designated instruments as hedging instruments in the amount of the hedge and recognizes them in accordance with the hedge accounting regulations.

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
17 593 620	02.04.2021	15.04.2021	16.03.2026	783 770
1 674 859	02.04.2021	20.04.2021	20.11.2024	26 773
500 327	02.04.2021	15.04.2021	15.10.2024	7 322
278 709	02.04.2021	30.04.2021	31.01.2025	5 062
255 319	02.04.2021	30.04.2021	31.08.2024	5 492
11 825 800	28.09.2020	30.09.2020	30.09.2025	567 788

Trade liabilities

The Group 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 1,307,702,973, while as at
As at 31 December 2022, the relevant balance amounted to PLN 1,156,225,827.
The Group uses reverse factoring lines provided by 6 factors, which finance deliveries from 56 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.:

The risk of losing financial liquidity is described in point 1.7.

The structure of trade payables by their payment dates as at the balance sheet dates is presented in the table below.

AGING OF TRADE LIABILITIES	30.06.2023	31.12.2022
current	4 163 885 626	4 102 645 390
1-30 days	37 200 430	8 257 671
31-90 days	559 867	787 204
91-180 days	2 880 525	913 703
> 180 days	2 614 969	1 802 093
	4 207 141 417	**4 114 406 061**

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 3.
BOOK VALUE PER SHARE AS AT 30.06.2023

BOOK VALUE PER SHARE

	Non audited as at 30.06.2023	as at 31.12.2022
Equity attributable to Owners of the Company	**699 198 140**	**710 224 316**
Number of shares	139 163 286	139 163 286
Diluted number of shares	139 648 188	139 163 286
Book value per share	**5,02**	**5,10**
Diluted book value per share	**5,01**	**5,10**

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 4.
ITEMS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

BANK GUARANTEES AS AT 30 JUNE 2023

	The Issuer	Title	Currency	as at 30.06.2023	as at 31.12.2022
1	Bank 1	Security of payments to suppliers	PLN	140 833 500	117 471 524
2	Bank 2	Security of payments to suppliers *	PLN	25 366 710	26 732 430
3	Bank 3	Security of rent liabilities	PLN	17 986 629	16 496 070
4	Bank 4	Security of rent liabilities *	PLN	53 860 621	45 699 758
5	Bank 5	Security of the liabilities of the promotion lottery	PLN	4 875 659	5 375 659
6	Bank 6	Security of the liabilities of the good service performance	PLN	-	3 385 021
				242 923 119	**215 160 462**

** - Guarantee in EUR is translated into PLN at the average exchange rate of NBP:*
as at 30.06.2023: 1 EUR = 4,4503 PLN
as at 31.12.2022: 1 EUR = 4,6899 PLN

COLLATERALS

SECURITIES RELATED TO ASSETS AS AT 30 JUNE 2023

Title		as at 30.06.2023	as at 31.12.2022
Security on the credit line agreement *	Pledge on inventories of Eurocash S.A.	90 000 000	90 000 000
Guarantee on securing the payment for suppliers*	Pledge on inventories of Eurocash Serwis Sp. z o.o.	36 060 300	100 000 000
Security on the credit line agreement *	Pledge on inventories of Eurocash S.A.	88 000 000	88 000 000
Security on the consolidated loan *	Pledge on shares of Eurocash Serwis Sp. z o.o.	9 547 300	9 547 300
Security on the consolidated loan *	Pledge on shares of Eurocash Franczyza Sp. z o.o.	3 800 000	3 800 000
Security on the consolidated loan *	Pledge on shares of Eurocash Sieci Partnerskie Sp. z o.o.	294 705 000	220 305 000
Security on the consolidated loan *	Mortgage on 6 distribution centers (13 properities)	333 750 000	333 750 000
Financial leasing agreements (due to net value of fixed assets at the balance sheet date)	Ownership of fixed assets in financial leasing	34 764 229	36 696 393
		890 626 829	**882 098 693**

FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 30 June 2023, the fair value of financial instruments approximated their carrying value. The Group implements interest rate risk security instruments (IRS), which are measured at their fair value. For these IRSs, the fair value was qualified to level 2 of the hierarchy - fair value is determined based on the values observed on the market yet not being direct market quotes (e.g. determined by direct or indirect reference to similar instruments existing on the market). In connection with the applied hedge accounting, the effect of valuation is recognized in other comprehensive income.

NOTE 5.
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 21 November 2022. The company received the decision issued on 15 November 2022, which upholds the decision of the first instance authority. Company on 21 December 2022. filed a complaint against this decision, requesting that the contested decision be annulled in its entirety and that the proceedings be discontinued.

On 28 February 2018, the Head of the Wielkopolska Customs and Tax Office in Poznań initiated an inspection in the field of corporate income tax for 2016. On 8 April 2022. The head of the Wielkopolska Customs and Tax Office in Poznań issued a decision 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). Duzy 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 6.

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.

With further provisions, the Head of the First Wielkopolskie Tax Office in Poznań extended the deadline for settling matters 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 7.
SIGNIFICANT 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 36 to the consolidated financial statements of the Eurocash Group 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.

2. Option to purchase shares in Arhelan Sp. z o.o.

As indicated in the consolidated report of the Eurocash Group for 2022 and in the report for the first quarter of 2023, on 13 March 2023, Eurocash submitted to the other partner Arhelan sp. z o.o. - the Arhelan-Socially Responsible Foundation (the Foundation) - a declaration of evasion of the legal consequences of the declaration of will - an offer to purchase all the Foundation's shares in the share capital of Arhelan sp. z o.o. of 9 November 2021 (Put Option) as filed under the influence of a legally significant error as to the content of the legal act. In addition, Eurocash evaded the legal consequences of its declaration of will to conclude the Put Option agreement, regulated in Art. 11.3 of the investment agreement of 11 March 2021 (UI). One of the key assumptions underlying the UI, as well as the basis for Eurocash to incur other liabilities with the UI, in particular the reservation of the Put Option, was the integration of Arhelan stores with the "Delikatesy Centrum" chain. The economic goal that Eurocash wanted to achieve as a result of the exercise of the Put Option was the acquisition of 100% of shares in Arhelan Sp. z o. o. having a chain of stores which, at the time of the Put Option exercise, was to be fully integrated with the "Delikatesy Centrum" chain and was to be part of it. This was expressed in the Put Option itself, which was to be "activated" in November 2024, i.e. 3 years after the conclusion of the contract for the sale of Arhelan shares and the period in which the integration was to take place, and in the Put Option price, which was based on the EBITDA of Arhelan sp. z o.o., i.e. a price formula analogous to the price mechanism at which Eurocash purchased the existing 50% of shares in Arhelan sp. z o.o.

The lack of migration of at least one existing Arhelan store and the consistent attitude of the Foundation led Eurocash to believe that from the very beginning there was no will on the part of the Foundation to carry out the integration process. This crosses out the business assumptions that Eurocash followed when concluding the UI, and in particular when submitting the Put Option to the Foundation.

In response to Eurocash's statement, the Foundation submitted letters, which were the subject of Eurocash's replies.

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

In connection with the above, the Group does not recognize the option to purchase shares in Arhelan Sp. z o. o. in the statement of financial position starting from the first quarter of 2023. Previously, this option was included in the last financial statements before submitting the option waiver statement, i.e. the report for 2022, in the amount of PLN 71 million based on the valuation from December 2022..

Appointment of a new Member of the Management Board

On 28 June 2023, the Supervisory Board of the Company adopted a resolution on the appointment, with effect from 1 October 2023, of Mr. Szymon Mitoraj as Member of the Management Board of the Company.

Dividend payment

The Management Board of EUROCASH Spółka Akcyjna with its registered office in Komorniki ("Company") informs that by virtue of Resolution No. 5 of 19 June 2023, the Ordinary General Meeting of EUROCASH S.A. decided to distribute the Company's net profit for the financial year 2022 in the amount of PLN 171,228,360 as follows:

1. allocate the Company's net profit for the financial year 2022 in the amount of PLN 50,000,000 for the payment of dividend, i.e. allocate PLN 0.36 per share,

2. allocate the remaining net profit of the Company for the financial year 2022 in the amount of PLN 121,228,360 to the reserve capital.

NOTE 8.
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	