

**ANNUAL WRITTEN REPORT OF THE SUPERVISORY BOARD OF
EUROCASH SPÓŁKA AKCYJNA FOR 2018**

**To the General Meeting
of Eurocash Spółka Akcyjna (the “Company”)**

The report covers the fiscal year from January 1st, 2018 through December 31st, 2018.

In 2018 the following persons were the members of the Supervisory Board of the Company:

Mr. João Borges de Assunção	Chairman of the Supervisory Board
Mr. Francisco José Valente Hipólito dos Santos	Member of the Supervisory Board
Mr. Hans Joachim Körber	Member of the Supervisory Board
Mr. Jacek Sz wajkowski	Member of the Supervisory Board
Eduardo Aguinaga de Moraes (to 25.04.2018)	Member of the Supervisory Board
Ms. Alicja Kornasiewicz (from 25.04.2018)	Member of the Supervisory Board

Supervisory Board Committees

The following internal committees operate under the auspices of the Supervisory Board:

- (i) the Audit Committee,
- (ii) the Remunerations Committee,
- (iii) the Nomination Committee.

Responsibilities of the Audit Committee include as follows:

- a) monitoring:
 - (i) the financial reporting process;
 - (ii) the effectiveness of the Company's internal control and risk management systems and internal audit, including in the scope of the financial reporting process; and
 - (iii) financial revision, in particular the audit including all motions and findings of the Audit Supervision Commission (Polish: Komisja Nadzoru Audytowego) arising from the control in the audit firm;
- b) supervising the submission of financial information by the Company in the periodical reports, forecasts, etc,

- c) supervising the activities of external auditors of the Company,
- d) presenting the recommendations to appoint an audit firm to the Supervisory Board in compliance with the adopted policy and procedure of the appointment, where audit firm cannot render its services for longer than 5 years; controlling and monitoring of the independence of the statutory auditor and the audit firm, in particular if the audit firm provides the Company with other services than audit,
- e) supervising the relationship with the statutory auditor, including in particular:
 - (i) assessing the statutory auditor's independence, remuneration and any nonauditing work for the Company,
 - (ii) granting consent to render by the statutory auditor additional permitted services, other than audit
 - (iii) determining the involvement of the external auditor in respect of the contents and publication of financial reporting,
- f) informing the Supervisory Board on results of the of the audit and how the audit contributed to the integrity of financial reporting and on the role of the Audit Committee in the audit process;
- g) each year evaluating internal control system functioning and the significant risk management system functioning as well as evaluating its own functioning in a form of an annual report of its deliberations, findings and relationship with the external auditor (including in particular his independence) to be included as a part of the Supervisory Board's annual report to be presented at the Ordinary General Assembly;
- h) preparing procedures of appointment of the audit firm by the Company
- i) preparing the policy of appointment of the audit firm for an audit of the Company's yearly separate and consolidated financial statements;
- j) preparing policy for rendering by the audit firm performing audit, its affiliated entities and members of its network of the permitted services other than the audit
- k) submit recommendations to ensure the integrity of financial reporting by the Company.

The Audit Committee is composed of the following members: Alicja Kornasiewicz (Chairman), Francisco José Valente Hipólito dos Santos and Jacek Szwajcowski.

Responsibilities of the Remunerations Committee include as follows:

- (i) reporting to the Supervisory Board of the existence of a remuneration policy for the Management Board, which is known to the Remunerations Committee in sufficient detail, including (a) the remuneration structure, (b) the amount of fixed remuneration, (c) the shares and/or options and/or other variable remuneration components and other forms of remuneration, as well as the performance criteria and the application thereof by Management Board Members,
- (ii) each year, submitting a proposal for the Supervisory Board's approval for an appraisal concerning the compliance of the remuneration policy for the Management Board and application thereof with regard to the desired standards of corporate governance,
- (iii) ensuring the disclosure to the Supervisory Board of the remuneration of the Management Board resulting from an implementation of the remuneration policy,
- (iv) each year, submitting a self-assessment in the form of an annual report of its performance to be included as part of the Supervisory Board's annual report and to be presented at the Ordinary General Meeting of Shareholders.

The Remunerations Committee is composed of the following members: Francisco José Valente Hipólito dos Santos (Chairman), Alicja Kornasiewicz and Hans Joachim Körber.

The responsibilities of the Nomination Committee shall include:

- a. to identify and recommend (for the Supervisory Board's approval) the candidates for the Supervisory Board members appointed by the General Assembly in connection with existing or expected vacancy in the Supervisory Board (including the end of the Supervisory Board's term)
- b. to opine on candidates for Supervisory Board members elected by the General Assembly proposed by the shareholders of the Company,
- c. to identify and recommend candidates for the Management Board members appointed by the Supervisory Board, in connection with existing or expected vacancy in the Management Board (including the Management Board member's or President's end of the term);
- d. each year evaluating its own functioning in a form an annual report of its activities to be included as a part of the Supervisory Board's annual report to be presented at the Ordinary General Assembly.

The Nomination Committee is composed of the following members: João Borges de Assunção (Chairman), Alicja Kornasiewicz, Hans Joachim Körber.

1. Information on the Supervisory Board's activities.

The Supervisory Board fulfilled its duties according to the Commercial Companies Code and the Company's Statute. In particular, the Supervisory Board was involved in the internal control and risk management systems of the Company, analyzed the Company's results and monitored the performance of the Management Board. Supervisory Board was involved in the process of taking the important decisions of the Company like, e.g., decisions related to agendas of the general meetings or approval of Company's budget for the year 2019.

Pursuant to § 13.12 of the Company's Statute, in 2018 the Supervisory Board held 4 (four) meetings: on April 25, June 27, November 27 and November 28.

During 2018 the Supervisory Board also held several conference calls on the following dates: February 27, March 22, May 10, August 28, September 26 and December 14.

Resignation of Member of the Supervisory Board

On 25th April 2018 Mr. Eduardo Aguinaga de Moraes resigned from function of Member of the Supervisory Board of Eurocash with effect on 25th April 2018.

Appointment of Member of the Supervisory Board

On 25th April 2018, in connection to resignation of Mr. Eduardo Aguinaga de Moraes from function of Member of the Supervisory Board of Eurocash, Politra B.V.S.a.r.l. holding 44.04% of the Company share capital, informed the Company that by exercising in the right granted in paragraph 13.2 of the Company States, has appointed Mrs. Alicja Kornasiewicz as a Member of the Supervisory Board of Eurocash.

Appointment and Resignation of Member of the Management Board

On 22nd March 2018 Supervisory Board of Eurocash agreed the resolution regarding the appointment on 1st April 2018 Mr. Paweł Musiał on the function of Member of the Management Board of Company.

On 26th July 2018, Company received a notification from Mr. Paweł Musiał about resignation from the position of Member of the Management Board of Eurocash S.A. with effect as of 31st July 2018. The resignation did not contain information about its causes.

2. Supervisory Board opinion on the Company's financial statements for 2018, including the financial statement for 2018, the Management Board's report on the Company's business activity in 2018

2.1 Opinion on the financial statement.

Pursuant to Art. 382 § 3 of the Commercial Companies Code, the Supervisory Board of the Company conducted the analysis of the separate financial statement of the Company for 2018, including the separate statement of the financial position as at December 31, 2018, showing the total assets in the amount of PLN 5.354.939.292,00 (five billion, three hundred fifty-four million, nine hundred thirty-nine thousand, two hundred ninety-two zloty) the separate income statement for the period from January 1, 2018, to December 31, 2018, showing profit for the period in the amount of PLN 149.621.055,00 (one hundred forty-nine million, six hundred twenty-one thousand, fifty five zloty) and total comprehensive profit for the period in amount of PLN 148.466.403,00 (one hundred forty-eight million, four hundred sixty-six thousand, four hundred three zloty), separate statement on changes in equity in the period from January 1, 2018 to December 31, 2018, representing the balance as at 31 December 2018 of 1.050.866.874,00 (one billion, fifty million, eight hundred sixty-six thousand, eight hundred seventy-four zloty) and the separate statement of cash flows for the period from January 1, 2018, to December 31, 2018, indicating an decrease of net cash in the amount of PLN 17.589.098,00 (seventeen million, five hundred eighty-nine thousand, ninety-eight zloty).

The Supervisory Board is of the opinion that the submitted separate financial statement for 2018, including the statement of the financial position, the income statement, the statement of changes in equity and the statement of cash flows, truly and properly represent the result of the Company's business activity for the above fiscal year, as well as the property and financial standing of the Company as of December 31, 2018.

According to the above, the Supervisory Board adopted a resolution recommending that the General Meeting approved the Company's separate financial statement for 2018.

2.2 Opinion on the Management Board's report on the Company's business activity in 2018.

The financial statement of the Company is accompanied by a written Management Board's report on the Company's business activity in 2018.

The Supervisory Board is of the opinion that the presented report of the Management Board is true and comprehensive. After the analysis of the Management Board report, the Supervisory Board adopted a resolution recommending that the General Meeting approved the Management Board report and acknowledged the fulfilment of duties by the members of the Management Board.

3. Supervisory Board opinion on the Company's Capital Group consolidated report for 2018, including the consolidated financial statement for 2018 and the Management Board's report on the Company's Capital Group business activity in 2018.

3.1 Opinion on the consolidated financial statement.

The Supervisory Board of the Company conducted the analysis of the consolidated financial statement of the Company's Capital Group for 2018, including the consolidated statement of the financial position as at December 31, 2018, showing the total assets in the amount of 6.010.906.273,00 (six billion, ten million, nine hundred six thousand, two hundred seventy-three zloty) the consolidated income statement for the period from January 1, 2018, to December 31, 2018, showing the profit for the period in the amount of 111.652.270,00 (one hundred eleven million, six hundred fifty-two thousand, two hundred seventy zloty) and total comprehensive income for the period in the amount of PLN 110.497.618,00 (one hundred ten million, four hundred ninety-seven thousand, six hundred eighteen zloty), consolidated statement of changes in equity in the period from January 1, 2018 to December 31, 2018, representing balance as at 31.12.2018 thereof of PLN 1.036.408.518,00 (one billion, thirty-six million, four hundred eight thousand, five hundred eighteen zloty), and the consolidated statement of cash flows for the period from January 1, 2018, to December 31, 2018, indicating a negative 6.041.496,00 (six million, forty-one thousand, four hundred ninety-six zloty).

The Supervisory Board is of the opinion that the submitted consolidated financial statement for 2018, including the consolidated statement of the financial position, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows, truly and properly represent the result of the Company's Capital Group business activity for the above fiscal year, as well as the property and financial standing of the Company's Capital Group as of December 31, 2018.

According to the above, the Supervisory Board adopted a resolution recommending that the General Meeting approved the Company's Capital Group consolidated financial statement for 2018.

3.2 Opinion on the Management Board's report on the Company's Capital Group business activity in 2018.

The consolidated financial statement of the Company's Capital Group is accompanied by a written Management Board's report on the Company's Capital Group business activity in 2018.

The Supervisory Board is of the opinion that the presented report of the Management Board is true and comprehensive. After the analysis of the Management Board report, the Supervisory Board adopted a resolution recommending that the General Meeting approved the Management Board report and acknowledged the fulfilment of duties by

the members of the Management Board.

4. Report on Audit Committee's activities.

The Audit Committee has its responsibilities defined in § 10 of the "By-laws of the Supervisory Board". One of such responsibilities is to issue an annual report on its activities. In 2018 the Audit Committee held 2 meetings on April 25, June 27 and 3 conference calls on March 22, August 28 and October 26.

During the conference call held on March 22, 2018, the Audit Committee discussed recommendation to the Supervisory Board of the positive assessment of the annual financial statement of the Company and of the Company's Capital Group for 2017. In the conference call participated the Company's auditors.

During the conference call held on August 28, 2018, the Audit Committee discussed recommendation to the Supervisory Board of the positive assessment of the half-yearly financial statement of the Company and of the Company's Capital Group. In the conference call participated the Company's auditors.

Final remarks: The Audit Committee is of the opinion that it performed its responsibilities in 2018, and that the auditors, not having other commercial relations with the Company, can perform their duties in an independent manner.

5. Report on Remuneration Committee's activities.

The Remuneration Committee held one meeting in the year 2018 on November 28 and one conference call held on March 22.

Remuneration Committee reports that it has obtained full disclosure and access to all necessary information regarding both Company's policy regarding remuneration of Management Board members and its application. The Committee was satisfied that no material departure from stated Management policy has taken place, and expresses appreciation for Management's rigorous approach to alignment of performance incentives with Company objectives.

The Company's Human Resources Director has provided a complete description of how the fixed and variable components of remuneration policy relate to the yearly cycle of objective-setting and performance evaluation. The Committee is satisfied that Management is rigorous both in the design and in the application of a policy that appears to be adequate, in the competitive context of Poland, to encourage the achievement of Company targets.

Final remarks: Based on the above, the Remuneration Committee expresses a positive opinion on the mechanisms used to apply Management Board remuneration policy during 2018, and confirm that remuneration payments made during 2018 are in compliance with this policy.

6. Evaluation of internal control system and risk management system of the Company.

Supervisory Board systematically evaluates the quality of the internal control systems and risk management of the Company. The key elements of this system include (i) yearly business plan and budget adopted by the Management Board and approved by the Supervisory Board; (ii) the internal control carried out by the internal audit department; (iii) the Management Board's daily analysis of the results of the Company and comparison thereof with the budget (iv) a verification of the financial statements by an independent auditor selected by the Supervisory Board; and (v) evaluation of financial statements by the Supervisory Board.

On the basis of the evaluation carried out, the Supervisory Board is of the opinion that there were no weaknesses which could significantly impact on the effectiveness of the internal control and risk management system of the Company.

7. Evaluation of Corporate Governance Rules.

Pursuant to § 29 Sec. 2 of the Warsaw Stock Exchange S.A. Rules in the wording adopted by virtue of the Stock Exchange Council Resolution No. 1/1110/2006 dated January 4, 2006, with further amendments, Eurocash S.A. (hereinafter, the "Company", "Issuer", "Eurocash") is obliged to apply the corporate governance rules set down in the document entitled "Good Practices of Companies Listed on the WSE 2016", which constitutes an attachment to Resolution No. 26/1413/2015 of the Stock Exchange Council dated 13 October 2015 (hereinafter referred to as "Good Practices"), available on the following website <https://www.gpw.pl/best-practice>.

In the financial year ended on December 31, 2018, the Company complied with the corporate governance principles set out in the document "Good Practices of Companies listed on the WSE 2016" in accordance with the statement posted on the website: <https://grupaeurocash.pl/inwestor/informacje-korporacyjne/lad-korporacyjny>

Supervisory Board has given positive opinion on the Company's fulfilment of Corporate Governance Rules

8. Evaluation of non-financial activities and Corporate Social Responsibility Report.

The Company has issued Non-Financial Report with description of Corporate Social Responsibility activities in its Consolidated Annual Report for 2018. The Supervisory

Board has given positive opinion on the Company's the Corporate Social Responsibility communication of such activities

9. Concise evaluation of the Company's standing.

The Supervisory Board having analysed the separate and consolidated financial statements, the Company results and the plans for future developments, has given positive opinion on the Company's and its Group standing and prospects of development thereof. Concurrently the Supervisory Board recommended to the General Meeting to acknowledge fulfilment of the Management Board duties in 2018. The more detailed comments are highlighted in the following points:

Key financial results: In the fiscal year of 2018 the consolidated sales of Company's Capital Group in 2018 amounted to PLN 22,832.89 million and increased by 9.51% comparing with 2017. Consolidated net profit amounted to PLN 111.65 million, what represents a difference of PLN 141.21 million as compared to the profit in 2017. Stand-alone sales of the Company amounted to 14,775.94 million and increased by 8.18% comparing with 2017. Unconsolidated net profit of the Company amounted to PLN 149.62 million and represents a difference of PLN 221.33 million as compared to the profit in 2017.

Other relevant developments:

Agreement to acquire entities controlling the MILA chain of stores

On 29th May 2018 Eurocash S.A. acquired 100% of shares in the share capital of Domelius Limited (company under Cypriot law) with its registered office in Nicosia considered by the issuer, as well as taking over control on its subsidiary companies including: Mila Holding S.A. (previously Grupa 700 market-Detal spółka z o.o. S.K.A.), Mila S.A. (previously market-Detal spółka z o.o. sp.j.), Investpol 700 Mila spółka jawna and "Koja-Mila spółka akcyjna" spółka jawna.

Value of the transaction was settled on PLN 349,28 m, excluding some real estate which will not be taken over by Eurocash.

The takeover of the network of 187 Mila grocery stores operating in central Poland will enable the further development of the Eurocash Group and creation of a nationwide supermarket chain based on franchise and own stores.

Total sales revenues in the Mila network in 2017 reached approximately PLN 1.48 billion.

Sale of 100% shares in PayUp Polska S.A.

On 19th December 2018 was concluded the final agreement to sell 100% shares of PayUp Polska S.A. with its registered office in Komorniki to Centrum Rozliczeń Elektronicznych Polskie E-Płatności S.A. The price for the 100% shares in PayUp Polska was set at PLN 85,6 million.

The parties to the transaction have also concluded on 27th September 2018 an agreement on long-term cooperation, ensuring the continuity of payment services for Eurocash Group's customers. The acquisition of PayUp by Polskie ePłatności will make it possible to further develop the services provided through POS terminals installed at Eurocash customers' stores. PayUp will gain a strong strategic partner with the know-how and resources necessary for further development. Eurocash Group will focus on its core business and the development of new projects that support the competitiveness of independent retail in Poland.

Development of Eurocash Retail segment

Eurocash Group continues expansion of the franchise chain Delikatesy Centrum and envisages opening of app. 900 new Delikatesy Centrum stores by 2023. Expansion of Delikatesy Centrum chain assumes three sources of growth:

1. Acquisitions of regional small supermarket chains,
2. Opening stores run by franchisees,
3. Opening of own retail stores (in cooperation with partners investing in real estate).

Total investment to be realized with Real Estate partners is estimated at app. PLN 1.0 – 2.0 bn. The expansion plan assumes achievement of the following operational parameters:

- Average stores size of 350 sqm (selling area),
- Average sales per sqm of app. 15 600 PLN p.a. in newly opened mature stores

- Average EBITDA margin of mature store should reach app. 6.4%.

The envisaged organizational structure of the Eurocash Retail segment, assumes, that it will consist of all companies operating retail stores such as Firma Rogala, FHC-2, Madas and EKO Holding S.A. and Mila S.A.. Moreover, the target structure shall include also all wholesale and retail operations related to supply and support provided for retail stores operated by franchisees under Delikatesy Centrum brand. As a result Fresh Project shall be included in this segment by app. 2020.

As a result of new organization and investments, Eurocash Retail segment shall operate (pro-forma, including Mila chain) app. 1,539 proximity supermarket stores with consolidated sales of app. PLN 5.1 bn and app. PLN 7.4 bn retail sales including Delikatesy Centrum franchise stores retail income and own stores.

Investment in strategical growth projects

To remain competitiveness of independent retail stores in Poland Eurocash Group continues an investment in innovative projects: Duży Ben, abc on wheels, Kontigo, distribution of high quality fresh products and others. Results of these projects have negative impact on the Group profitability, however the Board recognizes necessity of such investment to assure the growth in 5 to 10 years. After successful development of projects: Faktoria Win and PayUp in previous years, Company decided to expand: Duży Ben concept as a franchise chain and fresh products distribution to Eurocash Distribution clients.

Cost optimization program

During 2017 Eurocash Group initiated a medium-term program to increase cost efficiency by reducing the costs in areas of Selling, General and Administrative Expenses and Other Operating Costs. The total potential of the cost reductions may reach PLN 150m by 2020. The planned effect of the cost reduction program can be partially reduced by increasing the level of wages resulting from pressure on labor costs and inflation. By 2018, approximately 70 million costs were reduced, which were fully compensated by the increase in labor costs.

In addition to the information described in this report, there are no other significant factors that could affect the financial position of the Eurocash Group.

Final comments: The Company's Capital Group has a leader position in wholesale distribution of FMCG product, strengthened by increased scale of cooperation with clients integrated in franchise and partnership chains. The Group's sales revenues in 2018 were impacted, among others by sales growth mainly related to increased sales of the Wholesale segment and consolidation of acquired retail company Mila S.A.

In 2018 profitability of the Group was affected by the increased costs due to integration processes. Integration of EKO and Mila chains within Delikatesy Centrum stores gives the Company basis for further development of Retail segment and strengthened position of all Eurocash Group clients.

Profitability was impacted also by increase of strategic investments to strengthen position of independent retailers such as development of innovative retail formats under brands: Kontigo, abc on wheels, Duży Ben. In 2018 the Group finalized acquisition of retail company Mila with 187 stores in central Poland and sold 100% shares in its subsidiary PayUp Polska S.A.

The Report of the Supervisory Board of the Company was adopted in accordance with § 14.2.(iii) of the Company's Statute and § 5.7 of the "By-Laws of the Supervisory Board of Eurocash S.A."