

**ANNUAL WRITTEN REPORT OF THE SUPERVISORY BOARD OF
EUROCASH SPÓŁKA AKCYJNA FOR 2016**

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

The report covers the fiscal year from January 1st, 2016 through December 31st, 2016.

In 2016 the following persons were the members of the Supervisory Board of the Company:

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| Mr. João Borges de Assunção | Chairman of the Supervisory Board |
| Mr. Eduardo Aguinaga de Moraes | Member 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 |

Supervisory Board Committees

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

- (i) the Audit Committee, and
- (ii) the Remunerations Committee

Responsibilities of the Audit Committee include as follows:

- (i) supervising the submission of financial information by the Company in the periodical reports, forecasts, etc.
- (ii) supervising the activities of external auditors of the Company
- (iii) giving the opinion on the candidates for the Company’s external auditors to be elected by the Supervisory Board, where external auditors should be changed at least once every 7 years
- (iv) supervising the relationship with the external auditor, including in particular assessing the external auditor’s independence, remuneration and any non-auditing work for the Company, as well as determining the involvement of the external auditor with respect to the content and publication of financial reporting
- (v) each year, evaluating the internal control system in place and the significant

risk management system in place, as well as self-evaluation in a form of an annual report of its deliberations, findings, and relationships with the external auditor (in particular, including his/her independence) to be included as part of the Supervisory Board's annual report to be presented at the Ordinary General Meeting of Shareholders.

The Audit Committee is composed of the following members: Francisco José Valente Hipólito dos Santos (Chairman), Eduardo Aguinaga de Moraes 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: Messrs Eduardo Aguinaga de Moraes (Chairman), Francisco José Valente Hipólito dos Santos and 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 2017.

Pursuant to § 13.12 of the Company's Statute, in 2016 the Supervisory Board held 4 (four) meetings: on April 18, June 27, November 21 and November 22.

During 2016 the Supervisory Board also held several conference calls on the following dates: February 24, March 17, May 12 and August 18.

2. Supervisory Board opinion on the Company's financial statements for 2016, including the financial statement for 2016, the Management Board's report on the Company's business activity in 2016 and the proposal of the Management Board concerning the distribution of net profits for 2016.

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 2016, including the separate statement of the financial position as at December 31, 2016, showing the total assets in the amount of PLN 5,088,491,488.00 (five billion eighty eight million four hundred ninety one thousand and four hundred eighty eight zloty) the separate income statement for the period from January 1, 2016, to December 31, 2016, showing income for the period in the amount of PLN 102,614,073.00 (one hundred two million six hundred fourteen thousand seventy three zloty) and total comprehensive income for the period in amount of PLN 106,947,648.00 (one hundred six million nine hundred forty seven thousand six hundred and forty eight zloty), separate statement on changes in equity in the period from January 1, 2016 to December 31, 2016, representing the balance as at 31 December 2016 of 1,095,932,779.00 (one billion ninety five million nine hundred thirty two thousand seven hundred seventy nine zloty) and the separate statement of cash flows for the period from January 1, 2016, to December 31, 2016, indicating an increase of net cash in the amount of PLN 50,316,986.00 (fifty million three hundred sixteen thousand nine hundred and eighty six zloty).

The Supervisory Board is of the opinion that the submitted separate financial statement for 2016, 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, 2016.

According to the above, the Supervisory Board adopted a resolution recommending that the General Meeting approved the Company's separate financial statement for 2016.

2.2 Opinion on the Management Board's report on the Company's business activity in 2016.

The financial statement of the Company is accompanied by a written Management Board's report on the Company's business activity in 2016.

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.

2.3 Opinion on the proposal of the Management Board on distribution of net profits

Upon examination of the proposal of the Management Board of the Company to distribute net profits for 2016, the Supervisory Board adopted a resolution recommending to the General Meeting that the Company's net profits for 2016 amounting to PLN 102,614,073.00 (one hundred two million six hundred fourteen thousand seventy three zloty) be distributed in the following manner:

- (a) shareholders of record on May 16, 2017, shall be eligible to receive the dividend in amount PLN 0.73 (seventy three groszy) per one Company's share and totaled in amount to PLN 101 589 199 (one hundred million five hundred eighty nine thousand one hundred ninety nine zloty); the dividend shall be payable by June 6, 2017, and;
- (b) the balance shall be transferred to Company's supplementary capital.

3. Supervisory Board opinion on the Company's Capital Group consolidated report for 2016, including the consolidated financial statement for 2016 and the Management Board's report on the Company's Capital Group business activity in 2016.

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 2016, including the consolidated statement of the financial position as at December 31, 2016, showing the total assets in the amount of 5,521,622,703.00 (five billion five hundred twenty one million six hundred twenty two thousand seven hundred three zloty) the consolidated income statement for the period from January 1, 2016, to December 31, 2016, showing the profit for the period in the amount of 190,016,746.00 (one hundred ninety million sixteen thousand seven hundred and forty six zloty) and total comprehensive income for the period in the amount of PLN 194,350,322.00 (one hundred ninety four thousand three hundred fifty thousand three hundred twenty two zloty), consolidated statement of changes in equity in the period from January 1, 2016 to December 31, 2016, representing balance as at 31.12.2016 thereof of PLN 1,155,103,655 (one billion one hundred fifty five million one hundred three thousand six hundred fifty five zloty), and the consolidated statement of cash flows for the period from January 1, 2016, to

December 31, 2016, indicating a 75,674,356.00 (seventy five million six hundred seventy four thousand three hundred fifty six) zloty

The Supervisory Board is of the opinion that the submitted consolidated financial statement for 2016, 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, 2016.

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 2016.

3.2 Opinion on the Management Board's report on the Company's Capital Group business activity in 2016.

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 2016.

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 2016 the Audit Committee held 1 meeting on November 22, 2016 and 2 conference calls on March 17, 2016 and August 18, 2016..

During the conference call held on March 17, 2016, 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 2015. In the conference call participated the Company's auditors.

During the conference call held on August 18, 2016, 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.

Final remarks: The Audit Committee is of the opinion that it performed its responsibilities in 2016, 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 1 meeting in the year 2016 on November 22 and 1 conference call held on August 18.

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 2016, and confirm that remuneration payments made during 2016 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”, which constitutes an attachment to Resolution No. 12/1170/2007 of the Stock Exchange Council dated 4 July 2007 (amended by way of Resolution No. 17/1249/2010 of the Stock Exchange Council dated 19 May 2010 (hereinafter referred to as “Good Practices”), available on the following website www.corp-gov.gpw.pl.

On 13 October 2015 the Stock Exchange Council adopted Rules setting down new corporate governance rules in the document of “Good Practices for Companies listed on Warsaw Stock Exchange 2016”. Information regarding new rules implemented by Eurocash in 2016 are available on the website <http://eurocash.pl/relacje-inwestorskie/lad-korporacyjny.html>.

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 2016. 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 2016. The more detailed comments are highlighted in the following points:

Key financial results: In the fiscal year of 2016 the consolidated sales of Company’s Capital Group in 2016 amounted to PLN 21,219.90 million and increased by 4.44% comparing with 2015. Consolidated net profit amounted to PLN 190.02 million, what represents a decrease of 17.46% as compared to 2015. Stand-alone sales of the Company amounted to 14,225.19 million and increased by 3.45% comparing with 2015. Net profit of the Company amounted to PLN 102.61 million and decreased by 79.51% comparing with 2015.

Other relevant developments:

Acquisition of 50% of shares in Firma Rogala

On 29 January 2016 pursuant to the preliminary agreement of 18 September 2014, Eurocash executed with Hadricks Investments sp. z o.o., Jerzy Rogala and Ewelina Wójcik Rogala an agreement of acquisition of 50% shares in Firma Rogala. According to received information, in 2015, Firma Rogala generated approx. PLN 367 million in retail sales. The acquisition of a stake in Firma Rogala is aimed at developing a long-term partnership with one of the key franchisees, running 63 retail stores, ensuring the stable growth of the Delikatesy Centrum network and increasing Eurocash Group's revenue. For these reasons, the Management Board of Eurocash S.A. decided to recognize the Agreement as confidential information.

Acquisition of 50% of shares in one of the largest Delikatesy Centrum franchisees

On 16th December 2016 pursuant to the preliminary agreement of 15th April 2016 Eurocash S.A. executed with shareholders of FHC-2, M. Stodółka i Wspólnicy spółka jawna, FHC-2 spółka z ograniczoną odpowiedzialnością, Fructar spółka z ograniczoną odpowiedzialnością, Madas spółka z ograniczoną odpowiedzialnością, FHC-3 spółka z ograniczoną odpowiedzialnością an agreement of acquisition of 50% shares in FHC-2 Sp. z o.o. and Madas Sp. z o.o. both based in Krosno. The acquired companies run totally 48 supermarkets under the brand Delikatesy Centrum and are located mainly in South-Eastern Poland. According to the received information, the total sales of acquired companies in 2016 amounted to app. PLN 284 million

Acquisition of PDA shares

On 30th December 2016 pursuant to the preliminary agreement of 21st December 2015 Eurocash S.A. acquired 100% of shares in the share capital in Polska Dystrybucja Alkoholi Sp. z o.o. Acquisition will increase share of Eurocash Group in alcohol distribution segment in Poland. According to the received information, the total sales of the company in 2016 amounted to app. PLN 264 million

Execution of a significant agreement with Marie Brizard Wine&Spirits Polska Sp. z o.o.

On 29 November 2016 Eurocash entered into an agreement with Marie Brizard Wine&Spirits Polska Sp. z o.o., acting as the supplier and Eurocash Serwis Sp. z o.o., acting as the distributor on distribution of alcoholic beverages.

MWBS specializes in production and wholesale of strong alcoholic beverages. The Agreement constitutes a continued cooperation between the Eurocash Group and MBWS and increases the volume of goods offered by MBWS distributed by the

Eurocash Group.

The Agreement provides for contractual penalties in case the conditions of sale deteriorate in comparison with the conditions determined therein. The Agreement does not specify the maximum amount of such contractual penalties. Under the Agreement, the Distributors are entitled to seek compensation exceeding the value of due contractual penalties.

The Agreement has been executed for 3 years; after the expiry of that term, the Agreement will be automatically converted into an agreement for an indefinite time (provided that no party expresses a wish to terminate the cooperation).

During 2016 there were no other major events and factors that influenced consolidated income or loss of the Eurocash Group realized in this period.

Important events after balance sheet date

Acquisition of 100% of shares in EKO Holding S.A

On 4th January 2017 Eurocash acquired 100% of shares in EKO Holding S.A. with its registered office in Nowa Wieś Wrocławska ("EKO"). Thereby, Eurocash acquired a network of 248 grocery stores of EKO (operating mostly in south-western Poland), which will allow further development of the Eurocash Group and better use of its capability. According to the received information, the total sales of the company in 2016 amounted to app. PLN 950 million.

Resignation of a Member of the Management Board

On 13 January 2017, Mr. David Boner resigned from the position as Member of the Management Board of Eurocash S.A. with effect on 13 January 2017.

Appointment of a Member of the Management Board

On 22 February 2017, Mr. Przemysław Ciaś was appointed Member of the Management Board.

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. In 2016 profitability of the Group was affected by increase of spending for strategic investments to strengthen position of independent retailers such as extension of the offer for Delikatesy Centrum stores by fresh products and development of innovative retail formats under brands: Kontigo, 1 minute, abc on wheels, Duży Ben. Moreover profitability of the Group was negatively impacted by effect of wholesale price deflation with increased costs related

to Cash&Carry stores openings in last two years. Other distribution formats remained stable or improved its operations. In 2016 the Group entered into joint venture with main Delikatesy Centrum franchisees (Frima Rogala and FHC-2) and at the turn of the year Company finalized acquisition of retail company EKO with app. 250 stores in south-western Poland. Such a movement should bring better understanding and development of Delikatesy Centrum retail business in the future.

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.”