

**ANNUAL WRITTEN REPORT OF THE SUPERVISORY BOARD OF
EUROCASH SPÓŁKA AKCYJNA FOR 2013**

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

The report covers the fiscal year from January 1st, 2013 through December 31st, 2013.

In 2013 the following persons were the members of the Supervisory Board of the Company:

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 Szwajcowski	Member of the Supervisory Board

Following changes took place in Supervisory Board composition during 2013.

On 20 May 2013 and expired term of office of a Supervisory Board member Mr. António José Santos Silva Casanova.

On 20 May 2013 and expired term of office of a Supervisory Board member Mr. Richard Wojnowski.

On 20 May 2013 and expired term of office of a Supervisory Board member Mr. Janusz Lisowski.

On May 20, 2013, Mr. Hans Joachim Körber was appointed a Member of the Council Supervisory Board Eurocash SA.

On May 20, 2013, Mr. Szwajcowski was appointed a Member of the Supervisory Board Eurocash SA.

On May 20, 2013, Mr. Francisco José Valente Hipólito dos Santos was appointed Member of the Supervisory Board of Eurocash SA.

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 2014.

Pursuant to § 13.12 of the Company's Statute, in 2013 the Supervisory Board held 5 meetings: on May 20, June 22, November 25, 26 and 27.

During 2013 the Supervisory Board also held several conference calls on the following dates: March 26, June 11, August 27, November 07.

2. Supervisory Board opinion on the Company's financial statements for 2013, including the financial statement for 2013, the Management Board's report on the Company's business activity in 2013 and the proposal of the Management Board concerning the distribution of net profits for 2013.

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 2013, including the separate statement of the financial position as at December 31, 2013, showing the total assets in the amount of PLN 4,412,294,365, the separate income statement for the period from January 1, 2013, to December 31, 2013, showing income for the period in the amount of PLN 90,921,243, separate statement on changes in equity in the period from January 1, 2013 to December 31, 2013, representing the balance as at 31 December 2013 of 446,998,616 and the separate statement of cash flows for the period from January 1, 2013, to December 31, 2013, indicating a decrease of net cash in the amount of PLN 17,235,333.

The Supervisory Board is of the opinion that the submitted separate financial statement for 2013, 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, 2013.

According to the above, the Supervisory Board adopted a resolution recommending that the General Meeting approved the Company's separate financial statement for 2013.

2.2 Opinion on the Management Board's report on the Company's business activity in 2013.

The financial statement of the Company is accompanied by a written Management Board's report on the Company's business activity in 2013.

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 2013, the Supervisory Board adopted a resolution recommending to the General Meeting that the Company's net profits for 2013 amounting to PLN 90,921,242.87 be distributed in the following manner:

- (a) the amount of PLN 150,351.63 shall be transferred to the Company's reserve capital pursuant to Art. 396 § 1 of the Commercial Companies Code,
- (b) the remaining part of the profit for 2013 in the amount of PLN 90,770,891.24 and, pursuant to art. 348 § 1 of the Commercial Companies Code the amount not exceeding PLN 19,800,000 transferred for reserve capital created from profit for previous years shall be paid as dividend in such a manner that shareholders of record on May 16, 2014, shall be eligible to receive the dividend in amount PLN 0.79 (seventy nine groszes) per one Company's share; the dividend shall be payable by June 2, 2014.

3. Supervisory Board opinion on the Company's Capital Group consolidated report for 2013, including the consolidated financial statement for 2013 and the Management Board's report on the Company's Capital Group business activity in 2013.

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 2013, including the consolidated statement of the financial position as at December 31, 2013, showing the total assets in the amount of PLN 4,825,560,156, the consolidated income statement for the period from January 1, 2013, to December 31, 2013, showing the profit for the period in the amount of PLN 221,009,478, consolidated statement of changes in equity in the period from January 1, 2013 to December 31, 2013, representing balance as at 31.12.2013 thereof of PLN 884,355,944, and the consolidated statement of cash flows for the period from January 1, 2013, to December 31, 2013, indicating a decrease of net cash in the amount of PLN 45,531,616.

The Supervisory Board is of the opinion that the submitted consolidated financial statement for 2013, 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, 2013.

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 2013.

3.2 Opinion on the Management Board's report on the Company's Capital Group business activity in 2013.

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 2013.

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 2013 the Audit Committee held 1 meeting and 2 conference calls.

During the meeting held on November 27, 2013, the Audit Committee met with the Company's auditors.

During the conference call held on 26 March 2013, 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 2012.

During the conference call held on August 27, 2013, 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 2013, 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 2 meetings in the year 2013: May 20 and on November 27.

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 2013, and confirm that remuneration payments made during 2013 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. 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 2012. The more detailed comments are highlighted in the following points:

Key financial results: In the fiscal year of 2013 the Company had slightly worse economic results than during the previous year. Consolidated sales of Company's Capital Group in 2013 amounted to PLN 16 537,53 million and decreased by 0,43% comparing with 2012. Consolidated net profit amounted to PLN 221,01 million, what

represents a decrease of 11,73% as compared to 2012. Stand-alone sales of the Company amounted to 7 460, 84 million and decreased by 17,96% comparing with 2012. Net profit of the Company amounted to PLN 90,92 million and decreased by 25,81% comparing with 2012. These results are a combination of worse market conditions as well as inside factors connected with acquisition of Tradis.

Other relevant developments:

1. Acquisition of organized part of a company ‘Firma Handlowa Marian Dziembor’ and a company ‘Handel Hurtowy i Detaliczny Krystyna Dziembor’

General information

On 04 March 2013 subject subordinate of Eurocash – company Dziembor I Spółka Sp. z o.o. in the process of formation – signed with Mrs. Krystyna Dziembor and Mr. Marian Dziembor, in accordance with execution the memorandum of agreement from 13 December 2012, contract for the sale of the organized part of a company “Firma Handlowa Marian Dziembor” and a company „Handel Hurtowy i Detaliczny Krystyna Dziembor”, constituted from tangible and intangible components needed to run a wholesale trade of cigarettes and tobacco articles.

2. Acquisition of organized part of a company Przedsiębiorstwo Handlowo-Usługowe Noban Sp. Z o.o.

General information

On 27th September 2013 subject subordinate from Eurocash – company KDWT S.A. – signed the memorandum of agreement with company P.H.U. Noban Sp. z o.o. and its partners – Mr. Andrzej Nowakowski and Mr. Bogdan Nowakowski., in accordance with execution the memorandum of agreement from 19 April 2013, contract for the sale of the company and organized part of a company constituted from tangible and intangible components needed to run a wholesale trade of cigarettes and tobacco articles.

3. Denunciation of Distributorship Agreement and Contract of Sale on Commission concluded between Stokrotka Sp. z o.o. and Tradis Sp. z o.o.

On 31st January 2013 company subordinated from Eurocash – Tradis Sp. z o.o. received from Stokrotka Sp. Z o.o. denunciation of: distributorship agreement concluded on 20 December 2011, subject of which was cooperation within the scope of delivery and retention of FMCG products; and Contract of Sale on Commission 26/28 based on which Tradis Sp. z o.o. was buying selected product on behalf of its own but at Stokrotka Sp. z o.o. expense. Agreements terminated on 31st of July 2013, after 6 months of notice period. In the date of termination, Agreements are not significant agreements for Eurocash. Total value of sale from a.n. Agreements in year 2012 constituted for less than 5% of sales revenues of Eurocash Group in mentioned period. Except of lowering sales, denunciation of Agreements will not bring any

significant financial consequences neither for activity of Tradis Sp. z o.o. nor Eurocash and the all Capital Group of Eurocash.

During 2013 there were no other major events and factors that influenced consolidated income or loss of the Eurocash Group realized in this period.

Opinion on the Management Board remuneration policy: the Supervisory Board is of the opinion that the Management Board remuneration policy is in compliance with the corporate governance standards.

Final comments: The Company's Capital Group has strong market position with growth perspectives in all business units. Additionally along with realised acquisitions and synergy effect related to the acquired companies, the Company's Capital Group will be able to gain further market share and improve the profitability of the business. The quality of its operations combined with experienced management, know-how, client base and track record of successful integration of acquired companies give a solid base for Company's future healthy development.

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."