

ANNUAL WRITTEN REPORT OF THE SUPERVISORY BOARD OF EUROCASH SPÓŁKA AKCYJNA FOR 2014

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

The report covers the fiscal year from January 1st, 2014 through December 31st, 2014.

In 2014 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 Sz wajkowski	Member of the Supervisory Board

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 2014 the Supervisory Board held 5 meetings: on April 29, July 17, November 24, November 25, November 26.

During 2014 the Supervisory Board also held several conference calls on the following dates: January 24, March 27, August 25.

2. Supervisory Board opinion on the Company's financial statements for 2014, including the financial statement for 2014, the Management Board's report on the Company's business activity in 2014 and the proposal of the Management Board concerning the distribution of net profits for 2014.

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 2014, including the separate statement of the financial position as at December 31, 2014, showing the total assets in the amount of PLN 5,180,046,642

(five billion one hundred eighty million forty six thousands and six hundred forty two zloty) the separate income statement for the period from January 1, 2014, to December 31, 2014, showing income for the period in the amount of PLN 244,579,936 (two hundred forty four million five hundred seventy nine thousand and nine hundred thirty six zloty) and total comprehensive income for the period in amount of PLN 235,042,612 (two hundred thirty five million forty two thousand and six hundred twelve zloty, separate statement on changes in equity in the period from January 1, 2014 to December 31, 2014, representing the balance as at 31 December 2014 of 785,773,954 (seven hundred eighty five million seven hundred seventy three thousand and nine hundred fifty four zloty) and the separate statement of cash flows for the period from January 1, 2014, to December 31, 2014, indicating a decrease of net cash in the amount of PLN 12,762,144 (twelve million seven hundred sixty two thousand and one hundred forty four zloty).

The Supervisory Board is of the opinion that the submitted separate financial statement for 2014, 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, 2014.

According to the above, the Supervisory Board adopted a resolution recommending that the General Meeting approved the Company's separate financial statement for 2014.

2.2 Opinion on the Management Board's report on the Company's business activity in 2014.

The financial statement of the Company is accompanied by a written Management Board's report on the Company's business activity in 2014.

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 2014, the Supervisory Board adopted a resolution recommending to the General Meeting that the Company's net profits for 2014 amounting to PLN 244,579,936 (two hundred forty four million five hundred seventy nine thousand and nine hundred thirty six zlotys) be distributed in the following

manner:

- (a) the shareholders of record on May 19, 2015 shall be eligible to receive the dividend in amount PLN 0.79 per one Company share; the dividend shall be payable by June 10, 2015;
- (b) the balance shall be transferred to Company's supplementary capital.

3. Supervisory Board opinion on the Company's Capital Group consolidated report for 2014, including the consolidated financial statement for 2014 and the Management Board's report on the Company's Capital Group business activity in 2014.

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 2014, including the consolidated statement of the financial position as at December 31, 2014, showing the total assets in the amount of PLN 5,370,906,776 (five billion three hundred seventy million nine hundred six thousand and seven hundred seventy six zloty), the consolidated income statement for the period from January 1, 2014, to December 31, 2014, showing the profit for the period in the amount of PLN 183,120,130 (one hundred eighty million one hundred twenty thousand and one hundred thirty zloty) and total comprehensive income for the period in the amount of PLN 173,582,806 (one hundred seventy three million five hundred eighty two thousand and eight hundred six zlotys), consolidated statement of changes in equity in the period from January 1, 2014 to December 31, 2014, representing balance as at 31.12.2014 thereof of PLN 1,034,118,386 (one billion thirty four million one hundred eighteen thousand and three hundred eighty six zloty), and the consolidated statement of cash flows for the period from January 1, 2014, to December 31, 2014, indicating a decrease of net cash in the amount of PLN 15,605,535 (fifteen million six hundred five thousand and five hundred thirty five zloty)

The Supervisory Board is of the opinion that the submitted consolidated financial statement for 2014, 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, 2014.

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 2014.

3.2 Opinion on the Management Board's report on the Company's Capital Group business activity in 2014.

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 2014.

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 2014 the Audit Committee held 2 conference calls.

During the conference call held on March 27, 2014, 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 2013. In the conference call participated the Company's auditors.

During the conference call held on August 25, 2014, 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 2014, 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 2014: April 29 and November 26.

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 2014, and confirm that remuneration payments made during 2014 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 2014. The more detailed comments are highlighted in the following points:

Key financial results: In the fiscal year of 2014 the consolidated sales of Company's Capital Group in 2014 amounted to PLN 16,963.84 million and increased by 2.58% comparing with 2013. Consolidated net profit amounted to PLN 183.12 million, what represents a decrease of 17.14% as compared to 2013. Stand-alone sales of the Company amounted to 12 115.79 million and increased by 62.39% comparing with 2013. Net profit of the Company amounted to PLN 244.58 million and increased by 169.00% comparing with 2013.

Other relevant developments:

Merger of Eurocash S.A. and Tradis Sp. z o.o.

On 4 April 2014, the District Court Poznań - Nowe Miasto i Wilda, VIII Commercial Division National Court Register, entered the Company's merger with Tradis sp. z o.o. with its registered office in Lublin ("Tradis"). The merger was effected pursuant to Art. 492, § 1. 1 Commercial Code ("CCC") by Tradis acquisition by the Company, ie by transferring all Tradis assets as an acquired company to the Company as the acquiring company.

Acquisition of PayUp Polska S.A.

On 6 May 2014, in execution of the preliminary agreement of 11 February 2014, Eurocash concluded with Alverca BV ("Alverca") with its registered office in Amsterdam, a sales agreement under which Eurocash acquired from Alverca 51% of the shares PayUp Poland S.A. As a result of this transaction Eurocash holds 100% of shares PayUp Polska S.A. PayUp Polska S.A. distributes electronic financial services through a network of approximately 4.9 thousand terminals located in stores across the country, offering among other things, mobile phones recharge cards, accounts payments and acceptance of payment cards.

The conclusion of the franchise agreement with HDS Polska sp. z o.o. and Relay Duo sp. z o.o.

On June 10th 2014 subsidiary of Eurocash - Eurocash Convenience sp. z o.o. („ECC”) executed with HDS Polska and Relay Duo sp. z o.o. a master-franchise agreement, based on which ECC will be entitled to use the “1minute” brand in order to develop in Poland a chain of convenience stores under 1minute brand, according to the store concept developed by HDS and currently used in over 70 retail stores operated under “1minute” brand. HDS Polska is a part of the Lagardere Services group. In Poland it operates app. 740 retail outlets.

Apart of information provided in this report there are no other material factors which might influence the results of the Eurocash Group during the next quarter of the year.

Merger of Eurocash S.A. and PolCater Holding Sp.z o.o.

On 4 April 2014, the District Court Poznań - Nowe Miasto i Wilda, VIII Commercial Division National Court Register, entered the Company's merger with PolCater Holding Sp. z o.o.

Acquisition of Service FMCG (Kolporter FMCG)

On 17 November 2014, Eurocash, KDWT and Kolporter finalised the investment agreement of 5 December 2013, pursuant to which Kolporter acquired 25% plus one share in KDWT in exchange for contribution of 100% of shares in Service FMCG sp.

z o.o ("Service FMCG"). Results of Service FMCG have been consolidated since 1 December 2014.

Acquisition of Inmedio sp. z o.o. shares

On June 10th 2014 Eurocash executed with Lagardere Services S.A. with seat in Paris („LS”) and HDS Polska sp. o.o. with seat in Warsaw („HDS Polska”) a preliminary share purchase agreement, based on which Eurocash will purchase 51% of shares in the company which will operate retail chain under Inmedio brand in Poland. After completion of the transaction, Eurocash control the company operating chain of over 410 Inmedio retail outlets. On December 1st 2014 the acquisition was executed.

Acquisition of Frisco.pl shares

On Decemebr 1st 2014 Eurocash executed the following:

- an investment agreement with Helix Venture Partners FIZ, based in Warsaw, MCI.PrivateVentures FIZ, acting on the account of sub-fund MCI.TechVentures 1.0. and FRISCO S.A., based in Warsaw ("FRISCO"), pursuant to which Eurocash will acquire newly-issued shares in FRISCO;
- a conditional agreement with Hiranya Holdings Limited, based in Larnaca, Cyprus ("Hiranya"), regarding the purchase of existing shares in FRISCO.

Following registration of an increase in FRISCO's share capital and purchase of shares from Hiranya, Eurocash hold shares representing 44.13% of FRISCO's share capital and entitling to 44.13% of votes at FRISCO's general meeting.

During 2014 there were no other major events and factors that influenced consolidated income or loss of the Eurocash Group realized in this period.

Final comments: The Company's Capital Group has a leader position in wholesale distribution of FMCG product, strengthen by acquisition of Service FMCG Sp. z o.o. and Inmedio Sp. z o.o. in 2014. This activities allowed the Company's Capital Group to achieve sales increase in 2014, despite of weak market conditions and deepening in second half of year deflation. Additionally due to implemented reorganisation processes the Company has possibility to optimise its operational activities and significantly improve its cost effectiveness. 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."