

POLISH FINANCIAL SUPERVISORY AUTHORITY

Current Report No. 19/2017

Date of preparation: 24th August 2017

Abbreviated name of the issuer:

EUROCASH

Subject:

Disclosure of delayed inside information – the Company affected by external entities which participated in mechanism of VAT fraud

Legal basis:

Art. 17 sec. 1 and 4 MAR – inside information.

Report body:

The Management Board of Eurocash S.A. (hereinafter: "Eurocash" or "Company"), acting on the basis of Article 17 Sec. 1 and 4 of Regulation No. 596/2014 of the European Parliament and of the Council EU on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC OJ EU. L. of 2014, no. 173, p. 1 as amended, hereinafter: "MAR", conveys the below inside information concerning the audit of the correctness of VAT settlements by companies of the Eurocash Group. Making public the inside information was delayed on 12 May 2017 at 12:10 hours on the basis of Article 17 Sec. 4 MAR.

Content of the delayed inside information:

The Management Board of Eurocash S.A. (hereinafter: "Eurocash" or "Company") informs that the Company commissioned an audit of the correctness of VAT settlements by the companies of the Eurocash Group. The initial results of the audit carried out up to 12 May 2017 indicate the existence of irregularities which could result in the need to file a correction of the VAT returns and the payment of tax. It will be possible to establish the potential extent of the irregularities once the audit has been completed and an analysis carried out of its findings.

Reasons for delay:

The results of the audit carried out up to 12 May 2017 indicated irregularities in VAT settlements by Eurocash, which could result in the need to pay VAT. The extent of the irregularities and of the potential liability could be assessed upon completion of the audit and an analysis of its findings. Disclosure of information before the end of the audit could have led to speculation about the extent and seriousness of the breach, and as a result stigmatize the Company and negatively impact on its credit-worthiness and cooperation with business partners. At the moment the decision on delay was taken, it could not be ruled out that in reality the irregularities would not be significant.

Finding of the audit – the Company injured by external entities which participated in mechanism of VAT fraud

On 23 August 2017 an extensive and detailed audit of VAT settlements by Eurocash in the years 2013 - 2017 was completed. The analysis of the findings of the audit carried out by the Management Board indicate that Eurocash was used in a mechanism of VAT fraud by groups of outside entities in transactions concerning intra-Community delivery of goods. In view of the above, Eurocash may be

obligated to refund VAT to the State Treasury. In accordance with the estimate of the Management Board, the amount of the refund may be 121 450 511 PLN. This amount was corrected downwards by the surplus of CIT which arose for the Company in connection with the disclosure of revenue from a sale in the part which corresponds to 23% VAT, and, thus, does not constitute an actual gain (revenue) of the Company. As a result, the Company paid to bank account of the Wielkopolski Tax Office in Poznań the amount of 95 746 902 PLN in respect of security of payment of the potential VAT liability.

The Management Board believes that the final amount of the VAT liability may differ from the amount paid by Eurocash in respect of security of payment of the potential VAT liability, once the tax authority has carried out a detailed analysis of documentation gathered by the Company, as well as of the procedures used by Eurocash and explanations of the Company.

Payment for securing the settlement of the potential VAT liability should not impact on the possibility of conducting normal operations by Eurocash Group, but may have a material adverse effect on the Company's result. Negative impact on Net Profit for 2017 amounts to 114 400 861,47 PLN (0.82 PLN per share). Consolidated Net Debt of Eurocash will be negatively affected by 95 746 902 PLN (0.69 PLN per share).

At the same time, the Company Management Board emphasizes that payment of the liability will not have any impact on the Company's dividend policy, carried out also in previous years.

Eurocash Group continues to audit the VAT settlements by companies of the Eurocash Group as there exists a suspicion that potential irregularities could appear also in other companies of the Group. Taking into account the turnover of the remaining companies of the Group, gained on transactions concerning intra-Community delivery of goods, the risks associated with such potential irregularities are not material.

Eurocash S.A. stopped execution of such transactions concerning intra-Community delivery of goods.

Today, Eurocash, as injured party, filed a notification with the Regional Prosecutor's Office in Poznań about a suspicion of the commission of a crime (in particular, fraud).

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| Full name of the issuer: | EUROCASH SA |
| Abbreviated name of the issuer: | Retail trade |
| Sector as per WSE classification: | EUROCASH |
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| Website | www.eurocash.pl |
| NIP (Taxpayer Identification Number): | 779-19-06-082 |
| REGON (Polish Official Business Registry) | 631008941 |

SIGNATURES OF THE COMPANY'S REPRESENTATIVES

| Date | Full Name | Position | Podpis |
|------------------|-----------------------|--------------------------------|--------|
| 24th August 2017 | Jacek Owczarek | Member of the Management Board | |
| 24th August 2017 | Katarzyna Kopaczewska | Member of the Management Board | |

